



Working For You Today And Tomorrow

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EPA Region 5 Records Ctr.



368643

September 11, 2002

VIA OVERNIGHT MAIL

U.S. Environmental Protection Agency
Deena Sheppard-Johnson, SR-6J
Remedial Enforcement Support Section
77 West Jackson Blvd.
Chicago, Illinois 60604

Re: The Dayton Power and Light Company's Response To U.S. EPA's Request for Information
for The South Dayton Dump

Dear Ms. Sheppard-Johnson:

The Dayton Power and Light Company ("DP&L") hereby responds to the United States Environmental Protection Agency's ("U.S. EPA") July 18, 2002 Request for Information for the South Dayton Dump ("Site"). On July 30, 2002, DP&L responded to EPA's General Notice of Potential Liability for the Site. On August 14, 2002, DP&L requested an extension of time in which to respond to the Information Request. DP&L has conducted its investigation in response to U.S. EPA's Information Request. DP&L has also submitted to U.S. EPA a Freedom of Information Act request for any and all documents allegedly connecting DP&L to the Site. Neither DP&L's investigation nor the documents contained in EPA's files and provided in response to DP&L's FOIA request indicate that DP&L disposed of any hazardous substances at the Site.

DP&L objects to the information request and its instructions and definitions as being over broad, burdensome, vague, ambiguous, and beyond the scope of CERCLA §104(e)(2)(A-C). DP&L specifically denies any liability and/or wrongdoing that may be alleged as a result of the Site investigation. Notwithstanding the above objections, and while reserving all rights, DP&L provides the enclosed response and attachments to the best of its ability and based on information that DP&L possesses at this time. DP&L reserves the right to subsequently supplement this response as DP&L obtains or becomes aware of additional relevant information.

Notwithstanding the above objections, denial of liability and reservation of rights, enclosed are the following: 1) answers to question numbers 1 through 13 of U.S. EPA's information request; 2) the affidavit of Amy H. Wright; and 3) documents numbered 000001 through 000580 in response to the request.

U.S. Environmental Protection Agency
Deena Sheppard-Johnson, SR-6J
September
Page 2 of 2

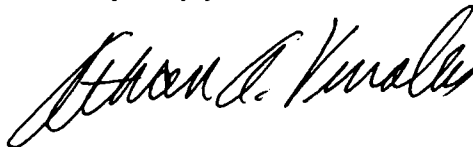
DP&L requests that the response and documents numbered 000037 through 000178 responsive to question number 10 be treated as business confidential material. This material consists of documents that are either submitted to the Federal Internal Revenue Service ("IRS") or supports material submitted to the IRS. This material contains sensitive business information and the IRS does not make this information publicly available. Accordingly, DP&L requests that U.S. EPA does not maintain this material as part of the public record.

I trust that the enclosed materials satisfy U.S. EPA's information request. Please send all future correspondence or notices in this matter to the following address:

Athan A. Vinolus Esq.
The Dayton Power and Light Company
MacGregor Park
1065 Woodman Drive
Dayton, Ohio 45432

If DP&L may be of further assistance, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Athan A. Vinolus", written in a cursive style.

Athan A. Vinolus
Environmental and
Regulatory Counsel

Enclosures

**The Dayton Power and Light Company's
Response to U.S. EPA's Information
Request for the South Dayton Dump Site**

Question 1: Identify all persons consulted in the preparation of the answers to these questions.

Response: Amy H. Wright
The Dayton Power and Light Company
Director of Environmental Management
1065 Woodman Drive
Dayton, OH 45432
(937) 259-7240

Chris Hergenrather
The Dayton Power and Light Company
Manager, Tax Department
1065 Woodman Drive
Dayton, OH 45432
(937) 259-7296

Scott Arentsen
The Dayton Power and Light Company
Environmental Specialist
1065 Woodman Drive
Dayton, OH 45432
(937) 259-7375

Question 2: Identify all documents consulted, examined, or referred to in the preparation of the answers to these questions and provide copies of all such documents.

Response: The Dayton Power and Light Company ("DP&L") consulted, examined and reviewed numerous documents in the preparation of the responses to these questions. However, the majority of the material proved to be irrelevant and showed no connection between DP&L and the South Dayton Dump Site ("Site"). All relevant documents have been attached in Attachment A.

Question 3: If you have reason to believe that there may be persons able to provide a more detailed or complete response to any question or who may be able to provide additional responsive documents, identify such persons.

Response: None.

Question 4: List the EPA Identification Numbers of the Respondent.

Response: Below is a list of DP&L's present EPA Identification Numbers:

OHD000721258 (Coldwater Service Center)
OHD180025637 (Eaton Service Center)
OHD987033024 (Greenville Service Center)
OHD180025777 (Huber Heights Service Center)
OHD000721233 (Marysville Service Center)
OHD987023280 (Miamisburg Service Center)
OHD982617003 (North Dayton Service Center)
OHD180025660 (Research Park Service Center)
OHD000721282 (Sidney Service Center)
OHD000817015 (Broadway Service Center)
OHD000721316 (Urbana Service Center)
OHD133974808 (Washington C.H. Service Center)
OHD000721209 (Xenia Service Center)

OHD000721407 (J.M. Stuart Station)
OHD000724310 (Killen Station)
OHD000721225 (Hutchings)

OHD000817452 (Longworth Steam Station)
OHD000817502 (Third Street Steam Station)
OHD000817437 (Steam Distribution)

OHT400010096 (Monument Substation)
OHD000817460 (Yankee Street Diesel Plant)

Question 5: Identify the acts or omissions of any person, other than your employees, contractors, or agents, that may have caused the release or threat of release of hazardous substances, pollutants, or contaminants and damages resulting therefrom at the South Dayton Dump Site.

Response: DP&L does not possess information as to what did cause the alleged release or threat of release at the Site. DP&L will not speculate as to what "may have caused" the alleged release at the Site. Nonetheless, documents obtained from U.S. EPA via DP&L's July 23, 2002 Freedom of Information Act ("FOIA") request indicate that other parties disposed of drums of liquid waste at the site.

Question 6: Identify all persons including respondent's employees, who have knowledge or information about the generation, use, treatment, storage, disposal, or other handling of material at or transportation of materials to the Site.

Response: Amy Wright. See also, Attachment A.

Question 7: Set forth the dates during which the Respondent engaged in any of the following activities:

- a) generation of hazardous materials which were sent to the South Dayton Dump Site;

Response: None. DP&L has not discovered any evidence or indication of any hazardous materials generated by DP&L ever having been sent to the Site. Further, based on U.S. EPA's response to DP&L's July 23, 2002 FOIA request, U.S. EPA does not possess any documents that in any way tie or connect DP&L to the Site.

b) transportation of any material to the South Dayton Dump Site.

Response: DP&L has not discovered any evidence or indication of any hazardous materials generated by DP&L having been sent to the Site. However, DP&L used the site to dispose of non-hazardous materials, including dirt, street spoil, construction debris etc. from 1952 to 1977.

Question 8: Identify all persons, including yourself, who may have arranged for disposal or treatment, or arranged for transportation for disposal or treatment, of materials, including, but not limited to, hazardous substances, at the South Dayton Dump Site. In addition, identify the following:

Response: DP&L has not discovered any evidence or indication that any hazardous substances from DP&L were arranged for transportation, disposal or treatment at the Site. The specific person or persons arranging for DP&L's non-hazardous substances to be transported to and disposed of at the Site is unknown.

a) The persons with whom you or such other persons made such arrangements;

Response: Alcine Grillot.

b) Every date on which such arrangements took place;

Response: The Site was used from 1952 to 1977 for disposal of DP&L's non-hazardous materials.

c) For each transaction, the nature of the material or hazardous substance, including the chemical content, characteristics, physical state (e.g., solid, liquid), and the process for which the substance was used or the process which generated the substance;

Response: Solids consisting of construction debris, tree limbs, ash, cinders, broken concrete, dirt, blacktop.

d) The owner of the materials or hazardous substances so accepted or transported;

Response: No hazardous substances from DP&L were involved. DP&L disposed of non-hazardous street/construction debris.

- e) The quantity of the materials or hazardous substances involved (weight or volume) in each transaction and the total quantity for all transactions;

Response: No hazardous substances from DP&L were involved. DP&L's records do not indicate the specific amount of non-hazardous substances that were disposed of at the Site by DP&L.

- f) All tests, analyses, and analytical results concerning the materials;

Response: none

- g) the person(s) who selected the South Dayton Dump Site as the place to which the materials or hazardous substances were to be transported;

Response: Unknown.

- h) The amount paid in connection with each transaction, the method of payment, and the identity of the person from whom payment was received;

Response: See Attachment A.

- i) Where the person identified in g., above, intended to have such hazardous substances or materials transported and all evidence of this intent;

Response: No hazardous substances from DP&L were involved. DP&L intended for non-hazardous substances to be transported to the Site. See Attachment A.

- j) Whether the materials or hazardous substances involved in each transaction were transshipped through, or were stored or held at, any intermediate site prior to final treatment or disposal;

Response: Not applicable.

- k) What was actually done to the materials or hazardous substances once they were brought to the South Dayton Dump Site;

Response: Unknown. DP&L does not possess information responsive to this question.

- l) The final disposition of each of the materials or hazardous substances involved in such transactions;

Response: Unknown. DP&L does not possess information responsive to this question.

- m) The measures taken by you to determine the actual methods, means, and site of treatment or disposal of the material and hazardous substance involved in each transaction;

Response: See Response to 8. l., above.

- n) The type and number of containers in which the materials or hazardous substances were contained when they were accepted for transport, and subsequently until they were deposited at the South Dayton Dump Site, and all markings on such containers;

Response: There were no hazardous substances from DP&L involved. Non-hazardous materials were contained in dump trucks.

- o) The price paid for (i) transport, (ii) disposal, or (iii) both of each material and hazardous substance.

Response: There were no hazardous substances from DP&L involved. See attachment A as to non-hazardous materials.

- p) All documents containing information responsive to a – o above, or in lieu of identification of all relevant documents, provide copies of all such documents.

Response: See attachment A.

- q) All persons with knowledge, information, documents responsive to a -- p above.

Response: Amy H. Wright, Scott Arentsen

Question 9: Identify all liability insurance policies held by Respondent from 1941 to the present. In identifying such policies, state the name and address of each insurer and of the insured, the amount of coverage under each policy, the commencement and expiration dates for each policy, whether or not the policy contains a “pollution exclusion” clause, and whether the policy covers or excludes sudden, non-sudden, or both types of accidents. In lieu of providing this information, you may submit complete copies of all relevant insurance policies.

Response: This particular information request is overly burdensome and broad. Notwithstanding the above objection, DP&L provides the following relevant response. Although DP&L does not believe that it is liable for any alleged response costs or alleged contamination at the Site, DP&L is currently, and has been for many years, primarily self-insured and can reimburse U.S. EPA for alleged response costs in relation to the Site in order to satisfy any alleged DP&L liability which may ultimately be proven.

Question 10: Provide copies of all income tax returns, including all supporting schedules, sent to the Federal Internal Revenue Service in the last five years.

Response: The information submitted in response to this question is business confidential information. Some of the information was submitted to the Federal Internal Revenue Service ("IRS") and some of it is back-up material that supports what was filed with the IRS. Nonetheless, none of the information has become public information. Accordingly, DP&L requests that U.S. EPA provide the same level of confidentiality to information submitted in response to this Question as would the Federal IRS. DP&L's parent company, DPL Inc., presently files with the IRS a consolidated tax return for itself and all of its subsidiaries. Attached are copies of DP&L separate company returns that support DP&L's portion of the DPL Inc. consolidated returns.

Question 11: If Respondent is a Corporation, respond to the following requests:

a) Provide a copy of the Articles of Incorporation and By-Laws of the Respondent.

Response: See attached.

b) Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission.

Response: DP&L's annual 10K reports for the past five years are attached. The reports contain financial statements and assets and/or liabilities.

c) Identify all of Respondent's current assets and liabilities and the person(s) who currently own or is responsible for such assets and liabilities.

Response: See Response to 11. b., above.

d) Identify the Parent Corporation and all Subsidiaries of the Respondent.

Response: DP&L's parent corporation is DPL Inc. See attached Form 10-K/A report for DPL Inc.

Question 12: If Respondent is a Partnership, respond to the following requests:

a) Provide copies of the Partnership Agreement;

b) Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission;

c) Identify all of Respondent's current assets and liabilities and the person(s) who currently own or is responsible for such assets and liabilities.

d) Identify all Subsidiaries of the Respondent.

Response: Not applicable.

Question 13: If Respondent is a Trust, respond to the following requests:

- a) Provide all relevant agreements and documents to support this claim.
- b) Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission.
- c) Identify all of Respondent's current assets and liabilities and the person(s) who currently own or is responsible for such assets and liabilities.

Response: Not applicable.

**BEFORE THE
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

State of Ohio
County of Montgomery

)
) ss
)

I, Amy H. Wright, being first duly sworn and cautioned state that:

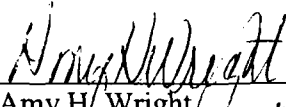
1) I am employed by The Dayton Power and Light Company ("DP&L") as the Director of Environmental Management. I have coordinated and assembled the responses in the attached document.

2) I certify under penalty of law that this document and all attachments were prepared under my direction or supervision, and that DP&L has conducted a thorough and diligent record search in its effort to accurately respond to and answer the attached questions from U.S. EPA.

3) Based upon my inquiry of records and the person or persons who manage such records, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

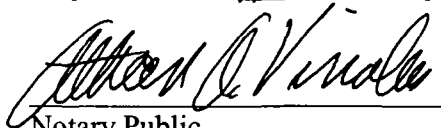
4) The information provided by me in this affidavit is based in part upon my personal knowledge and/or personal knowledge of past or present DP&L employees and is, to the best of my knowledge and belief, true and accurate.

AFFIANT FURTHER SAYETH NAUGHT



Amy H. Wright

Sworn to before me and subscribed in my presence this 11th day of September, 2002.



Notary Public

AAVSI\D-DP&LResponse

ATHAN A. VINOLUS, Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration date
Section 147.03 O.R.C.

000001

ATTACHMENT A

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|-------------------|-----------|-------------|-----------|---------|----|
| SOUTH DAYTON DUMP | AUG 21 52 | 8. 829 | 383,249 | \$25.00 | * |
| SOUTH DAYTON DUMP | SEP 23 52 | 9. 883 | 385,754 | \$25.00 | * |
| SOUTH DAYTON DUMP | OCT 31 52 | 10. 1,510 | 389,088 | \$25.00 | * |
| SOUTH DAYTON DUMP | NOV 18 52 | 11. 638 | 390,526 | \$25.00 | * |
| SOUTH DAYTON DUMP | JAN 2 53 | 12. 1,524 | 394,328 | \$32.10 | (|
| SOUTH DAYTON DUMP | JAN 28 53 | 1. 1,369 | 396,823 | \$25.00 | + |
| SOUTH DAYTON DUMP | MAR 31 53 | 3. 1,485 | 402,116 | \$50.00 | * |
| SOUTH DAYTON DUMP | APR 28 53 | 4. 1,304 | 404,569 | \$25.00 | * |
| SOUTH DAYTON DUMP | MAY 26 53 | 5. 1,107 | 406,994 | \$25.00 | |
| SOUTH DAYTON DUMP | JUL 1 53 | 7. 4 | 410,046 | \$25.00 | * |
| SOUTH DAYTON DUMP | AUG 28 53 | 8. 1,177 | 414,852 | \$25.00 | ++ |
| SOUTH DAYTON DUMP | SEP 1 53 | 9. 7 | 415,127 | \$25.00 | ++ |
| SOUTH DAYTON DUMP | OCT 1 53 | 10. 8 | 417,644 | \$25.00 | * |
| SOUTH DAYTON DUMP | DEC 1 53 | 11. 1,400 | 422,751 | \$25.00 | * |
| SOUTH DAYTON DUMP | JAN 11 54 | 1. 115 | 426,162 | \$25.00 | * |
| SOUTH DAYTON DUMP | FEB 16 54 | 2. 615 | 429,318 | \$50.00 | * |
| SOUTH DAYTON DUMP | MAR 3 54 | 2. 1,565 | 430,683 | \$50.00 | x |
| SOUTH DAYTON DUMP | APR 5 54 | 4. 14 | 433,399 | \$50.00 | * |
| SOUTH DAYTON DUMP | MAY 3 54 | 4. 1,392 | 435,735 | \$50.00 | * |
| SOUTH DAYTON DUMP | MAY 27 54 | 5. 1,170 | 437,841 | \$50.00 | ++ |
| | CONTINUED | | | | |

FORM 140-1-1-49

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|-------------------|-----------|-------------|-----------|----------|----|
| SOUTH DAYTON DUMP | JAN 28 54 | 6. 1,236 | 440,314 | \$50.00 | ** |
| SOUTH DAYTON DUMP | AUG 3 54 | 8. 13 | 443,313 | \$50.00 | ** |
| SOUTH DAYTON DUMP | SEP 2 54 | 8. 1,366 | 445,784 | \$50.00 | ** |
| SOUTH DAYTON DUMP | SEP 30 54 | 9. 1,310 | 448,094 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | NOV 1 54 | 10. 1,433 | 450,832 | \$50.00 | ** |
| SOUTH DAYTON DUMP | NOV 30 54 | 11. 1,414 | 453,403 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | JAN 4 55 | 1. 16 | 456,456 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | JAN 10 55 | 1. 165 | 457,034 | \$18.50 | ++ |
| SOUTH DAYTON DUMP | FEB 1 55 | 1. 1,401 | 458,861 | \$75.00 | ++ |
| SOUTH DAYTON DUMP | MAR 2 55 | 2. 1,310 | 461,330 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | MAR 3 55 | 2. 1,463 | 461,504 | \$25.00 | ++ |
| SOUTH DAYTON DUMP | MAR 28 55 | 3. 1,212 | 463,569 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | MAR 29 55 | 3. 1,249 | 463,619 | \$25.00 | ++ |
| SOUTH DAYTON DUMP | MAY 5 55 | 4. 1,711 | 466,918 | \$50.00 | ++ |
| SOUTH DAYTON DUMP | MAY 16 55 | 5. 467 | 467,759 | \$25.00 | ++ |
| SOUTH DAYTON DUMP | MAY 31 55 | 5. 1,371 | 469,029 | \$75.00 | ++ |
| SOUTH DAYTON DUMP | JUN 24 55 | 6. 1,104 | 471,148 | \$75.00 | ++ |
| SOUTH DAYTON DUMP | AUG 2 55 | 7. 1,457 | 474,344 | \$175.00 | ++ |
| SOUTH DAYTON DUMP | AUG 29 55 | 8. 1,259 | 476,555 | \$166.00 | ++ |
| SOUTH DAYTON DUMP | OCT 6 55 | 9. 1,930 | 479,981 | \$25.00 | ++ |
| | CONTINUED | | | | |

FORM 140-1-1-49

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO | CHECK NO | AMOUNT | |
|-------------------|-----------|------------|----------|----------|---|
| SOUTH DAYTON DUMP | OCT 12 55 | 10. 231 | 480.405 | \$171.00 | * |
| SOUTH DAYTON DUMP | NOV 2 55 | 10. 1,671 | 482,274 | \$170.00 | * |
| SOUTH DAYTON DUMP | NOV 28 55 | 11. 1,259 | 484,499 | \$155.00 | * |
| SOUTH DAYTON DUMP | DEC 30 55 | 12. 1,282 | 487,209 | \$155.00 | * |
| SOUTH DAYTON DUMP | JAN 21 56 | 1. 1,209 | 489,744 | \$155.00 | * |
| SOUTH DAYTON DUMP | FEB 24 56 | 2. 1,237 | 492,443 | \$155.00 | * |
| SOUTH DAYTON DUMP | MAR 28 56 | 3. 1,267 | 495,254 | \$155.00 | * |
| SOUTH DAYTON DUMP | APR 25 56 | 4. 1,122 | 497,803 | \$155.00 | * |
| SOUTH DAYTON DUMP | MAY 28 56 | 5. 1,373 | 500,692 | \$155.00 | * |
| SOUTH DAYTON DUMP | JUN 26 56 | 6. 1,221 | 503,248 | \$155.00 | * |
| SOUTH DAYTON DUMP | JUL 26 56 | 7. 1,261 | 505,588 | \$155.00 | * |
| SOUTH DAYTON DUMP | SEP 4 56 | 8. 1,587 | 508,321 | \$155.00 | * |
| SOUTH DAYTON DUMP | OCT 4 56 | 9. 1,593 | 510,664 | \$400.00 | * |
| SOUTH DAYTON DUMP | NOV 6 56 | 10. 2,073 | 513,114 | \$400.00 | * |
| SOUTH DAYTON DUMP | DEC 4 56 | 11. 1,742 | 515,214 | \$400.00 | * |
| SOUTH DAYTON DUMP | JAN 7 57 | 12. 1,801 | 405 | \$400.00 | * |
| SOUTH DAYTON DUMP | FEB 5 57 | 1. 1,783 | 2581 | \$400.00 | * |
| SOUTH DAYTON DUMP | MAR 6 57 | 2. 1,866 | 5016 | \$400.00 | * |
| SOUTH DAYTON DUMP | APR 3 57 | 4. 13 | 7,357 | \$400.00 | * |
| SOUTH DAYTON DUMP | MAY 2 57 | 4. 2,036 | 9,718 | \$400.00 | * |

CONTINUED

FORM M-1160 2-54

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO | AMOUNT | |
|-------------------------------|-----------|-------------|----------|----------|---|
| SOUTH DAYTON DUMP | JUN 3 57 | 5. 2,023 | 12,124 | \$400.00 | * |
| SOUTH DAYTON DUMP | JUL 3 57 | 7. 45 | 14,584 | \$400.00 | * |
| SOUTH DAYTON DUMP | AUG 2 57 | 7. 1,906 | 16,751 | \$400.00 | * |
| SOUTH DAYTON DUMP | SEP 5 57 | 8. 1,999 | 19,066 | \$400.00 | * |
| SOUTH DAYTON DUMP | OCT 7 57 | 10. 119 | 21,360 | \$400.00 | * |
| SOUTH DAYTON DUMP | NOV 5 57 | 10. 2,167 | 23,544 | \$400.00 | * |
| SOUTH DAYTON DUMP | DEC 4 57 | 12. 72 | 25,874 | \$400.00 | * |
| SOUTH DAYTON DUMP | JAN 7 58 | 1. 88 | 28,076 | \$400.00 | * |
| SOUTH DAYTON DUMP | FEB 3 58 | 1. 1,647 | 29,908 | \$400.00 | * |
| SOUTH DAYTON DUMP | MAR 3 58 | 2. 1,489 | 31,981 | \$400.00 | * |
| SOUTH DAYTON DUMP | APR 2 58 | 3. 1,784 | 34,297 | \$400.00 | * |
| SOUTH DAYTON DUMP | MAY 7 58 | 5. 102 | 36,728 | \$400.00 | * |
| SOUTH DAYTON DUMP | JUN 3 58 | 5. 1,839 | 38,695 | \$400.00 | * |
| SOUTH DAYTON DUMP | JUL 16 58 | 7. 521 | 41,634 | \$400.00 | * |
| SOUTH DAYTON DUMP | AUG 4 58 | 7. 1,787 | 43,026 | \$400.00 | * |
| SOUTH DAYTON DUMP | SEP 3 58 | 8. 1,693 | 45,032 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 15 58 | 10. 530 | 47,958 | \$475.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 30 58 | 10. 1,578 | 49,079 | \$73.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 7 58 | 11. 157 | 49,787 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 5 58 | 12. 91 | 51,793 | \$400.00 | * |

CONTINUED

FORM M-1160 2-54

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO | CHECK NO | AMOUNT | |
|---------------------------------|-----------|------------|----------|-----------|---|
| SOUTH DAYTON DUMP & LAND FILL | DEC 1 58 | 12. 380 | 52,130 | \$ 103.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 9 59 | 1. 135 | 54,142 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 14 59 | 1. 389 | 54,458 | \$ 56.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 2 59 | 1,576 | 55,813 | \$ 43.50 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 4 59 | 1. 1,884 | 56,040 | \$ 400.00 | * |
| SOUTH DAYTON DUMP AND LAND FILL | MAR 6 59 | 3. 91 | 58,293 | \$ 476.50 | * |
| SOUTH DAYTON DUMP AND LAND FILL | APR 1 59 | 3. 1,657 | 60,069 | \$ 67.50 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 6 59 | 4. 64 | 60,416 | \$ 400.00 | * |
| SOUTH DAYTON DUMP AND LAND FILL | MAY 6 59 | 5. 38 | 62,645 | \$ 482.50 | * |
| SOUTH DAYTON DUMP AND LAND FILL | JUN 5 59 | 6. 133 | 64,859 | \$ 466.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 1 59 | 6. 1,751 | 66,742 | \$ 84.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 1 59 | 7. 75 | 67,135 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 4 59 | 7. 1,790 | 69,036 | \$ 67.50 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 12 59 | 8. 360 | 69,578 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 3 59 | 8. 1,827 | 71,118 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 17 59 | 9. 712 | 72,037 | \$ 52.50 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 5 59 | 9. 2,111 | 73,444 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 9 59 | 10. 247 | 73,775 | \$ 25.50 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 4 59 | 10. 2,161 | 75,794 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 30 59 | 11. 1,506 | 77,554 | \$ 12.00 | * |

FORM M-116 2-54

CONTINUED

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| PAGE 6 | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|-------------------------------|----------|-------------|-----------|-----------|---|
| SOUTH DAYTON DUMP & LAND FILL | DEC 1 59 | 11. 1,597 | 77,669 | \$ 3.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 3 59 | 11. 1,945 | 77,923 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 5 60 | 12. 1,975 | 80,145 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 3 60 | 1. 1,929 | 82,304 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 2 60 | 2. 1,619 | 84,265 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 5 60 | 3. 1,960 | 86,512 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 4 60 | 4. 1,834 | 88,532 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 2 60 | 5. 1,792 | 90,604 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 6 60 | 6. 1,760 | 92,731 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 3 60 | 7. 1,857 | 94,798 | \$ 500.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 2 60 | 8. 1,761 | 96,907 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 4 60 | 9. 1,855 | 99,178 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 2 60 | 10. 1,902 | 1,546 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 5 60 | 11. 1,909 | 3,957 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 6 61 | 12. 1,956 | 6,459 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 2 61 | 1. 1,812 | 8,461 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 3 61 | 2. 1,700 | 10,627 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 4 61 | 3. 1,831 | 12,873 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 2 61 | 4. 1,643 | 14,852 | \$ 400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 2 61 | 5. 1,779 | 17,024 | \$ 400.00 | * |

CONTINUED

FORM M-116 2-54

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|-------------------------------|-----------|-------------|-----------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | JUL 10 61 | 7. 160 | 19,624 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 161 | 8. 89 | 21,600 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 661 | 9. 1,817 | 23,563 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 361 | 9. 1,771 | 25,676 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 261 | 10. 2,004 | 28,330 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 30 61 | 11. 1,580 | 30,383 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 362 | 12. 1,769 | 32,878 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 662 | 1. 2,040 | 35,379 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 262 | 2. 1,548 | 37,227 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 362 | 3. 1,929 | 39,552 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 262 | 4. 1,871 | 41,825 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 462 | 5. 1,789 | 44,004 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 362 | 6. 1,619 | 46,015 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 262 | 7. 1,665 | 48,117 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 562 | 8. 1,861 | 50,606 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 262 | 9. 1,765 | 52,741 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 262 | 10. 1,957 | 55,155 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 462 | 11. 1,846 | 57,505 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 463 | 12. 1,675 | 60,074 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 463 | 1. 1,862 | 62,334 | \$400.00 | * |

CONTINUED

Form M-1160

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|-------------------------------|---------|-------------|-----------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | MAR 563 | 2. 1,702 | 64,469 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 263 | 3. 1,760 | 66,506 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 363 | 4. 1,846 | 68,652 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 463 | 5. 2,037 | 71,031 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 263 | 6. 1,796 | 73,527 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 563 | 7. 1,889 | 75,768 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 563 | 8. 1,817 | 77,955 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 263 | 9. 1,793 | 80,038 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 463 | 10. 1,981 | 82,446 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 463 | 11. 1,827 | 84,778 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 664 | 12. 1,836 | 86,931 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 564 | 1. 1,909 | 89,187 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 464 | 2. 1,681 | 1241 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 264 | 3. 1,852 | 3425 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 664 | 4. 1,963 | 5822 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 364 | 5. 1,801 | 7881 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 664 | 6. 1,808 | 10,000 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 464 | 7. 1,907 | 12,235 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 264 | 8. 1,733 | 14,395 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 264 | 9. 1,777 | 16,557 | \$400.00 | * |

CONTINUED

Form M-1160

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT | |
|---------------------------------|---------|-------------|-----------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | NOV 364 | 10, 1942 | 18980 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 364 | 11, 1871 | 21681 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 665 | 12, 1806 | 23949 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 365 | 1, 1789 | 26077 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 365 | 2, 1691 | 28194 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 565 | 3, 1989 | 31006 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 565 | 4, 1988 | 33323 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 365 | 5, 1935 | 35614 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 765 | 6, 2024 | 38298 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 465 | 7, 1743 | 40457 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 765 | 9, 62 | 42948 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 465 | 9, 1755 | 44923 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 365 | 10, 1686 | 47143 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 365 | 11, 1882 | 49547 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 566 | 12, 1927 | 51900 | \$400.00 | * |
| SOUTH DAYTON DUMP AND LAND FILL | FEB 366 | 1, 1698 | 53974 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 366 | 2, 1803 | 56472 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 566 | 3, 2000 | 58884 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 466 | 4, 1816 | 61228 | \$400.00 | * |

CONTINUED

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| PAGE # 10 | 85530 | DATE | VOUCHER NO | CHECK NO | AMOUNT | |
|--|--------------------|---------------|-----------------|------------------|---------------------|--------------|
| SOUTH DAYTON DUMP & LAND FILL | JUN 266 | 5 | 1962 | 63484 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 566 | 6 | 2097 | 65887 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 566 | 8 | 144 | 68417 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 266 | 8 | 2178 | 70698 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 566 | 9 | 1966 | 73008 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 466 | 11 | 58 | 75782 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 566 | 11 | 2072 | 78112 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 567 | 12 | 2006 | 80482 | \$400.00 | * |
| SOUTH DAYTON DUMP AND LAND FILL | FEB 367 | 1 | 1998 | 82726 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 367 | 2 | 2080 | 85154 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 467 | 3 | 2225 | 87934 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 367 | 4 | 1914 | 74 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 667 | 5 | 2211 | 2644 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 667 | 6 | 1951 | 4904 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 367 | 7 | 1834 | 7149 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 667 | 8 | 2024 | 9545 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 467 | 9 | 1938 | 11885 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 367 | 10 | 2336 | 14607 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 567 | 11 | 2180 | 17175 | \$400.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 268 | 12 | 1592 | 19091 | \$400.00 | * |

CONTINUED

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO | CHECK NO. | AMOUNT | |
|-------------------------------|---------|------------|-----------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | FEB 268 | 1, 2230 | 22061 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 468 | 2, 2152 | 24464 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 368 | 3, 2034 | 26969 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 268 | 4, 2051 | 29347 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 568 | 5, 2325 | 32781 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 368 | 6, 1924 | 35378 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 568 | 7, 2290 | 37972 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 568 | 8, 2142 | 40356 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 468 | 9, 2146 | 42867 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 568 | 10, 2317 | 45568 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 468 | 11, 2139 | 47973 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 664 | 12, 1956 | 50703 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 464 | 1, 1930 | 52796 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 564 | 2, 2127 | 55306 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 364 | 4, 102 | 57943 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 264 | 5, 54 | 60357 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 464 | 5, 2343 | 63148 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 364 | 7, 84 | 65488 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 464 | 7, 2565 | 68098 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 364 | 8, 2247 | 70581 | \$600.00 | * |

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

CONTINUED

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO | CHECK NO | AMOUNT | |
|-------------------------------|----------|------------|----------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | DEC 564 | 10, 117 | 73389 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 464 | 10, 2748 | 76170 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 464 | 12, 435 | 79183 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 510 | 12, 2353 | 81241 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 370 | 1, 2290 | 83739 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 370 | 2, 2247 | 86259 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 370 | 4, 104 | 471 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 1370 | 5, 537 | 3504 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 570 | 6, 243 | 5330 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 670 | 7, 68 | 8260 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 2870 | 7, 1719 | 9983 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 370 | 8, 2306 | 13240 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 270 | 9, 2385 | 15829 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 370 | 10, 2464 | 18483 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 270 | 11, 2342 | 21000 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 571 | 12, 2067 | 23234 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | | | | | |
| SOUTH DAYTON DUMP & LAND FILL | FEB 371 | 1, 2122 | 25779 | \$640.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 471 | 3, 108 | 28383 | \$630.00 | * |

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

CONTINUED

ACCOUNTS PAYABLE INDEX RECORD

| | | | | | | |
|-------------------------------|----------|----|-------|--------|----------|---|
| SOUTH DAYTON DUMP & LAND FILL | APR 171 | 3 | 2028 | 30,457 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 471 | 4 | 2168 | 33,407 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 371 | 5 | 2,080 | 35,723 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 671 | 6 | 2,192 | 38,210 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 571 | 8 | 213 | 40,617 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 271 | 8 | 2,413 | 42,984 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 571 | 9 | 2,170 | 45,372 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 271 | 10 | 2,238 | 47,856 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 271 | 11 | 2,242 | 50,346 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 3071 | 12 | 1,620 | 52,379 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 372 | 1 | 1,656 | 54,779 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 372 | 3 | 84 | 57,127 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 472 | 3 | 1,940 | 59,190 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 372 | 4 | 1,953 | 61,640 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 572 | 5 | 2,155 | 64,004 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 672 | 7 | 92 | 66,293 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 272 | 7 | 1,932 | 68,311 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | SEP 672 | 8 | 2,066 | 70,581 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 472 | 9 | 1,760 | 72,544 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 372 | 10 | 2,021 | 74,837 | \$600.00 | * |

FORM M-116C

THE DAYTON POWER AND LIGHT COMPANY

CONTINUED

ACCOUNTS PAYABLE INDEX RECORD

| | | | | | | |
|---------------------------------|----------|----|-------|--------|------------|---|
| SOUTH DAYTON DUMP | | | | | | |
| SOUTH DAYTON DUMP AND LAND FILL | DEC 572 | 12 | 64 | 77,050 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 973 | 1 | 220 | 79,212 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 573 | 2 | 33 | 81,277 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 573 | 3 | 87 | 83,426 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 373 | 3 | 1,700 | 85,510 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 373 | 5 | 51 | 88,034 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 573 | 6 | 75 | 90,196 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 373 | 6 | 1,618 | 91,969 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | AUG 373 | 8 | 73 | 94,208 | \$600.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | OCT 373 | 9 | 1,624 | 1,383 | \$1,840.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | NOV 573 | 10 | 20 00 | 3,615 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | DEC 173 | 12 | 325 | 6,007 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JAN 1074 | 1 | 261 | 7,757 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | FEB 1274 | 2 | 381 | 9,931 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAR 1374 | 3 | 252 | 11,915 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | APR 974 | 4 | 413 | 13,925 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | MAY 1374 | 5 | 558 | 16,320 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUN 1074 | 6 | 243 | 18,224 | \$920.00 | * |
| SOUTH DAYTON DUMP & LAND FILL | JUL 1774 | 7 | 670 | 20,607 | \$920.00 | * |

FORM M-116C

THE DAYTON POWER AND LIGHT COMPANY

CONTINUED

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT |
|-------------------------------|-----------|-------------|-----------|----------|
| SOUTH DAYTON DUMP & LAND FILL | AUG 12 14 | 8, 407 | 22,329 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | SEP 15 14 | 9, 530 | 24,777 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | OCT 9 14 | 10, 391 | 26,522 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | NOV 19 14 | 11, 925 | 29,226 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | DEC 16 14 | 12, 734 | 30,930 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JAN 23 15 | 1, 1046 | 63,038 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | FEB 15 15 | 2, 493 | 64,504 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | MAR 18 15 | 3, 683 | 66,545 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | APR 14 15 | 4, 527 | 68,153 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | MAY 14 15 | 5, 523 | 70,088 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JUN 11 15 | 6, 377 | 71,785 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JUL 15 15 | 7, 576 | 73,893 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | AUG 21 15 | 8, 938 | 76,206 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | SEP 23 15 | 9, 966 | 78,072 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | OCT 16 15 | 10, 623 | 79,541 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | NOV 12 15 | 11, 501 | 81,610 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | DEC 30 15 | 12, 1314 | 84,267 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JAN 21 16 | 1, 751 | 85,610 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | FEB 17 16 | 2, 658 | 87,342 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | MAR 19 16 | 3, 952 | 89,484 | \$920.00 |

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

CONTINUED

ACCOUNTS PAYABLE INDEX RECORD

| | DATE | VOUCHER NO. | CHECK NO. | AMOUNT |
|-------------------------------|-----------|-------------|-----------|----------|
| SOUTH DAYTON DUMP & LAND FILL | APR 21 16 | 4, 882 | 91,786 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | MAY 24 16 | 5, 1138 | 94,086 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JUN 18 16 | 6, 831 | 95,747 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JUL 15 16 | 7, 609 | 97,491 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | AUG 16 16 | 8, 652 | 99,491 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | SEP 20 16 | 9, 849 | 101,887 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | OCT 25 16 | 10, 1221 | 104,206 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | NOV 12 16 | 11, 651 | 105,640 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | DEC 20 16 | 12, 788 | 107,791 | \$920.00 |
| SOUTH DAYTON DUMP & LAND FILL | JAN 26 17 | 1, 1097 | 109,875 | \$920.00 |

FORM M-1160

THE DAYTON POWER AND LIGHT COMPANY

ACCOUNTS PAYABLE INDEX RECORD

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TO PURCHASING WHEN MATERIAL RECEIVED

PURCHASE ORDER NO.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO 45401

PURCHASE ORDER

DATE 1-1-73

84190-B

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.

TO:

SOUTH DAYTON DUMP
1975 SPRINGBORO PIKE
DAYTON, OHIO 45439

BLUE COPY SENT TO:

J. STANTON
CC: W.P. LEE, NEFF,
JACKSE, MAETKE
TROUTMAN, STORES
GILLESPIE, BRISTOW,
E.H. FISCHER

000011

| | | | | |
|---------------|-------------|---------------------|-------------------|-------------------|
| SHIP VIA | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | TERMS | DATE MAT'L REQUIRED | ORDER CLOSEOUT | MAT'L REC. REPORT |
| | | AS REQUESTED | | |
| QUAN. ORDERED | DESCRIPTION | | AMOUNT | SYMBOL NO. |
| | | | | UNIT |
| | | | | QUAN. REC'D. |

THIS ORDER TO COVER THE PRIVILEGE OF DUMPING
WASTE MATERIAL FOR THE PERIOD OF JANUARY 1, 1973
THRU DECEMBER 31, 1973~~1600.00 PER MONTH~~
THIS ORDER SUPERSEDES OUR ORDER #71948-B920.00
9-27-73

| ACCOUNT CLASSIFICATION | | | | DEPARTMENT |
|------------------------|-------|-----|----------|-------------------------|
| AREA | PRIME | SUB | AMOUNT | |
| 34 | 2880 | | \$ 75.00 | GAS CONSTRUCTION |
| 102 | 3588 | | 187.50 | DAYTON ELECTRIC |
| 106 | 3588 | | 75.00 | ELECTRIC MAINTENANCE |
| 385 | 5501 | 34 | 187.50 | LONGWORTH STEAM STATION |
| 152 | 163 | 21 | 37.50 | STORES OPERATIONS |
| 386 | 5880 | 96 | 37.50 | STEAM DISTRIBUTION |

12-11-72

| | | | | | | | | | | | | |
|------------------------------|---------------|---------------------------|-----------------|-----------------------------------|---------------------------|-----------|--------|----------|---------------------------|---------------------|--|--|
| RECEIVING LOCATION | | DATE RECEIVED Dec 1973 | | RECEIVED BY <i>[Signature]</i> | | REC'D VIA | TRUCK | PAR-POST | PRE-PAID | COLLECT | MAT'L TO BE USED FOR WASTE DISPOSAL - VARIOUS | |
| IF DAMAGED, CHASE AND EXTENT | | | | | | RR | EXP | OTHER | COMP. | PART | LOCATIONS: STORES | |
| ITEM REF | QUAN. ORDERED | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | | PRO-WAYBILL FRT. BILL NO. | | OPERATIONS | |
| | | | PRIME | SUB | | | | | | | | |
| SEE ABOVE | | | | | | | | | | | | |
| | | | | | | | | | | CAR INITIALS & NO. | | |
| | | | | | | | | | | INSPECTED BY | | |
| | | | | | | | | | | DATE INSPECTED | | |
| | | | | | | | | | | ACCT. CLASS | | |
| | | | | | | | | | | APPR'D PURCH. AGENT | | |
| | | | | | | | | | | TO ACCTG. DEPT. | | |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

84190

TO PURCHASING WHEN MATERIAL RECEIVED

PURCHASE ORDER NO.

THE DAYTON POWER AND LIGHT COMPANY

84190-B

DATE

1-1-73

DAYTON, OHIO 45401

PURCHASE ORDER

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.

TO

SOUTH DAYTON BUMP
1975 SPRINGBORO PIKE
DAYTON, OHIO 45439

BLUE COPY SENT TO

J. STANTON

000012

CC: W.P. LEE, NEFF, JACKSON
HAETKE, TROUTMAN, MAC
STORES, GILLESPIE
BRISTOW, E.H. FISCHER

DATE ISSUED: 10-1-73

(SHEET 2)

| | | | | | |
|------------------|-------------|------------|---------------------|-------------------|------------------|
| SHIP VIA | | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | | TERMS | DATE MAT'L REQUIRED | ORDER CLOSEOUT | MAT. REC. REPORT |
| QUANTITY ORDERED | DESCRIPTION | | | AMOUNT | SYMBOL NO. |
| | | | | | UNIT |
| | | | | | QUAN. REC'D. |

CHANGE ORDER #1PURCHASE ORDER #84190-B

THIS CHANGE ORDER WILL CHANGE THE RATE PER
MONTH FROM \$600.00 TO \$920.00 PER MONTH. THE
PERIOD OF CHANGE IN RATE WILL BE FROM AUGUST 1,
1973 THRU DECEMBER 31, 1973.

ACCOUNT CLASSIFICATION

| AREA | PRIME | SUB | AMOUNT |
|------|-------|-----|--------|
| 84 | 2880 | | 160.00 |
| 102 | 3588 | | 100.00 |
| 106 | 3588 | | 20.00 |
| 385 | 5501 | 34 | 600.00 |
| 152 | 163 | 21 | 20.00 |
| 386 | 5880 | 96 | 20.00 |

DEPARTMENT

GAS CONSTRUCTION
DAYTON ELECTRIC
ELECTRIC MTCE.
LONGWORTH
STORES OPERATIONS
STEAM DISTRIBUTION

| | | | | | | | | |
|------------------------------|---------------|-------------|-----------|-------|----------|----------|---------|---|
| RECEIVED LOCATION | DATE RECEIVED | RECEIVED BY | REC'D VIA | TRUCK | PAR-POST | PRE-PAID | COLLECT | MAT'L TO BE USED FOR |
| | | | | | | | | WD:CSN |
| IF DAMAGED, CAUSE AND REMEDY | | | RR | EXP | OTHER | COMP. | PART | WATER DISPOSAL - VARIOUS LOCATIONS: STORES OPER. |

| ITEM REF. | QNTY AS TO REC'D | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | PRO-WAYBILL FRT. BILL NO. | |
|-----------|------------------|-----------|-----------------|-----|---------------------------|----------|--------|---------------------------|-----------------|
| | | | PRIME | SUB | | | | CAR INITIALS & NO. | |
| | | SEE ABOVE | | | | | | | |
| | | | | | | | | INSPECTED BY | DATE INSPECTED |
| | | | | | | | | APPR'D PURCH. AGENT | TO ACCTG. DEPT. |
| | | | | | | | | | ACCTG. CLASS |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

THE DAYTON POWER AND LIGHT COMPANY

DAYTON 1, OHIO

PURCHASE ORDER

THIS ORDER NUMBER
MUST APPEAR ON ALL
INVOICES AND PACK-
AGES.

PURCHASE ORDER NO.

84190-B

DATE

TO:

South Dayton Pump

BLUE COPY SENT TO:

000013

| SHIP VIA | | DELIVER TO | | THIS COPY USED AS | | |
|---------------|-------------|------------|---------------------|-------------------|--------------------------------|-------------|
| F.O.B. | | TERMS | DATE MAT'L REQUIRED | ORDER CLOSEOUT | MAT. REC. REPORT | |
| QUAN. ORDERED | DESCRIPTION | AMOUNT | | SYMBOL NO. | UNIT | QUAN. REC'D |
| Start. | 1-22-73 | \$600.00 | P2-1-73 | BS #5249 | for January | |
| " | 2-22-73 | \$600.00 | P3-1-73 | BS #5049 | for February | |
| " | 3-21-73 | \$600.00 | P3-30-73 | BS #50896 | for March | |
| " | 4-23-73 | \$600.00 | P5-1-73 | BS #51189 | for April | |
| " | 5-23-73 | \$600.00 | P6-1-73 | BS #51726 | for May | |
| " | 6-21-73 | \$600.00 | P6-29-73 | BS #52123 | for June | |
| " | 7-23-73 | \$600.00 | P8-1-73 | BS #52446 | for July | |
| " | 8-18-73 | \$720.00 | 49-28-73 | BS #52819 | for Aug. & Sept. ^{OK} | |
| " | 10-29-73 | \$720.00 | P11-1-73 | BS #53310 | for October | |
| " | 11-5-73 | \$920.00 | P12-7-73 | BS #53485 | for November | |
| " | 1-15-74 | \$920.00 | P1-8-74 | BS #53786 | for December | |

| RECEIVING LOCATION | | DATE RECEIVED | RECEIVED BY | REC'D VIA | TRUCK | PAR. POST | PRE. PAID | COL. LECT | MAT'L TO BE USED FOR |
|------------------------------|-----------|---------------|------------------------|--------------|------------|-----------|-----------|---------------------------|----------------------|
| IF DAMAGED, CAUSE AND EXTENT | | | | RR | EXP | OTHER | COMP. | PART | |
| ITEM REF. | REC. LOC. | AREA | FUNCTION OR WORK ORDER | LOC. OR DET. | RET. W. O. | KIND | AMOUNT | PRO-WAYBILL FRT. BILL NO. | |
| | | | | PRIME | SUB | | | | |
| | | | | | | | | CAR INITIALS & NO. | |
| | | | | | | | | INSPECTED BY | DATE INSPECTED |
| | | | | | | | | APPR'D PURCH. AGENT | ACCT. CLASS |
| | | | | | | | | TO ACCTG. DEPT. | |

000014

Form 1-11-17-42

OFFICE INFORMATION

The Dayton Power and Light Company

Date 4-12-72

To: Mr. Ron Wheeler

SUBJECT: South Dayton Dump

Attached are receipts for four (4) truck loads of spoil dirt.

On April 6, 1972 it was necessary for us to rent a dump truck, in conjunction to excavating work on one of our projects. The operator, at the South Dayton Dump, would not permit the use of our blanket purchase order for dumping, with a non-company marked dump truck.

He claims that he has no way of verifying whether or not a truck is in hire of the Dayton Power & Light.

He issued these receipts as a cross check and intends to send a separate bill to you for the dumping of these four (4) loads. He, also insinuated that, perhaps we were dumping more material at his dump than what was originally agreed upon under the existing arrangements. He reasons this, because it was necessary for us to rent a truck, because we did not have enough trucks, of our own, to haul away the dirt that was necessary.

RRH/mr
Attach.

Robert R. Hipp
Robert R. Hipp

000015

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TO PURCHASING WHEN MATERIAL RECEIVED

PURCHASE ORDER NO.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO 45401

PURCHASE ORDER

35005-B

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.DATE ~~1-1-74~~ ¹⁻¹⁻⁷⁴

TO:

South Dayton Dump
1975 Springboro Pike
Dayton, Ohio 45439

BLUE COPY SENT TO:

Stanton
cc: W. P. Lee, Naff
Jackse, Mastke
Troutman, Stores
Gillespie, Bristol
E.H. Fischer, Macy

000016

| | | | | |
|------------------|---------------------|--|---------------------|------------------|
| SHIP TO | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | TERMS Net | DATE MAT'L REQUIRED As Requested | ORDER CLOSEOUT ✓ | MAT. REC. REPORT |
| CUSTOMER ORDERED | DESCRIPTION | | AMOUNT | SYMBOL NO. |
| | | | UNIT | QUAN. REC'D. |

This order to cover the privilege of dumping waste material
for the period of January 1, 1974 through June 30, 1974.
1974 1974
\$920.00 per month

Per verbal quote to Dave Costello.

This order supersedes our order ~~64196-B~~,
95005-B

| | | | | | | | | |
|--------------------|-------------------------|----------------------------|-----------------|--------------|-------------------|-------------------|-----------------|---|
| RECEIVING LOCATION | DATE RECEIVED Dec 74 | RECEIVED BY [Signature] | REC'D VIA RR | TRUCK EXP | PAR-POST OTHER | PRE-PAID COMP. | COLLECT PART | MAT'L TO BE USED FOR CJB:ash waste disposal - various locations: STORES OPERA. |
|--------------------|-------------------------|----------------------------|-----------------|--------------|-------------------|-------------------|-----------------|---|

| ITEM REF | QTY | GAS FILL REC. L. | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | | PRO-WAYBILL FRT. BILL NO. | CAR INITIALS & NO. | INSPECTED BY | DATE INSPECTED | ACCT. CLASS |
|-------------|-----|------------------|------|-----------------|-----|---------------------------|----------|--------|----|---------------------------|--------------------|--------------|----------------|-------------|
| | | | | PRIME | SUB | | | | | | | | | |
| as Constr. | 14 | | | 2880 | | | | 160 | 00 | | | | | |
| ay. Elec. | 102 | | | 3588 | | | | 100 | 00 | | | | | |
| Loc. M. ce. | 106 | | | 3588 | | | | 20 | 00 | | | | | |
| ongworth | 335 | | | 5501 | 34 | | | 600 | 00 | | | | | |
| tores Oper. | 152 | | | 163 | 21 | | | 20 | 00 | | | | | |
| team Hist. | 316 | | | 5880 | 96 | | | 20 | 00 | | | | | |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

95005

WORK COPY OF PURCHASE ORDER

PURCHASE ORDER NO.

THE DAYTON POWER AND LIGHT COMPANY

95005 - B

DATE 1-1-74

DAYTON, OHIO 45401

PURCHASE ORDER

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.TO: South Dayton Dump
1975 Springboro Pike
Dayton, Ohio 45439

000017

BLUE COPY SENT TO

cc: Stanton
W. P. Lee, Neff
Jackse, Maetke
Troutman, Stores
Gillespie, Bristow
E.H. Fischer, Macy

| | | | | |
|--------|---------------------|--|-------------------|------------------|
| SHIP V | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | TERMS Net | DATE MAT'L REQUIRED As Requested | ORDER CLOSEOUT | MAT. REC. REPORT |

| QUAN. OF ORDER | DESCRIPTION | AMOUNT | SYMBOL NO. | UNIT | QUAN. REC'D. |
|-------------------|-------------|--------|------------|------|-----------------|
|-------------------|-------------|--------|------------|------|-----------------|

This order to cover the privilege of dumping waste material
for the period of January 1, 1974 through June 30, 1974.

\$920.00 per month

Per verbal quote to Dave Costello.

This order supersedes our order 84190-B.

Start. 2-2-74 \$920.00 P 2-8-74 January BS #54078
 " 3-15-74 \$920.00 P 3-7-74 February BS #54375
 " 4-2-74 \$920.00 P 4-5-74 March BS
 " 5-2-74 \$920.00 P 5-9-74 April BS
 " 6-3-74 \$920.00 P 6-6-74 May BS
 " 7-3-74 \$920.00 P 7-15-74 June BS
 " 8-1-74 \$920.00 P 8-8-74 July BS
 " 9-4-74 \$920.00 P 9-11-74 August BS
 " 10-3-74 \$920.00 P 10-7-74 September BS
 " 11-2-74 \$920.00 P 11-8-74 October BS
 " 12-4-74 \$920.00 P 12-16-74 November BS
 " 1-4-75 \$920.00 P 1-17-75 December BS

| | | | | | | | | |
|-------------------------------|---------------|-------------|-----------|-------|----------|----------|---------|---|
| RECEIVING LOCATION | DATE RECEIVED | RECEIVED BY | REC'D VIA | TRUCK | PAR-POST | PRE-PAID | COLLECT | MAT'L TO BE USED FOR |
| | | | | | | | | CJB:cmh waste disposal - various locations: STORES OPERA. |
| IF DAMAGED, C. USE AND EXTENT | | | RR | EXP | OTHER | COMP. | PART | |

| ITEM REF | QNTY GAS TAIL REC'D L.C. | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | PRO-WAYBILL FRT. BILL NO. |
|--------------|--------------------------------|------|-----------------|-----|---------------------------------|-------------|--------|---------------------------|
| | | | PRIME | SUB | | | | |
| Gas Constr. | | 84 | 2880 | | | | 160 00 | CAR INITIALS & NO. |
| Day. Elec. | | 102 | 3588 | | | | 100 00 | INSPECTED BY |
| Elec. Mice. | | 106 | 3588 | | | | 20 00 | |
| Longworth | | 385 | 5501 | 34 | | | 600 00 | DATE INSPECTED |
| Stores Oper. | | 152 | 163 | 21 | | | 20 00 | |
| Steam Dist. | | 386 | 5880 | 96 | | | 20 00 | ACCT. CLASS |
| | | | | | | | | APPR'D PURCH. AGENT |
| | | | | | | | | TO ACCTG. DEPT. |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

95005

000018

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THE DAYTON POWER AND LIGHT COMPANY

D- 34644 - B

DATE **1-11-75**

DAYTON, OHIO 45401

PURCHASE ORDER

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.

T():

**SOUTH DAYTON DUMP
1975 SPRINGBORO PIKE
DAYTON, OHIO 45439**

BLUE COPY SENT TO: **STANTON**

CC: W.P. LEE, JACKSE
TROUTMAN, GILLESPIE, E.H
FISCHER, R. ROTH, MAETKE
STORES, BRISTOW, MACY

000019

| | | | | | |
|---|--|-----------------------------|--|--|--|
| SHIP V. | | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | | TERMS NET 30 DAYS | | DATE MAT'L REQUIRED AS REQUESTED | |
| QUAN. ORDERED | | DESCRIPTION | | AMOUNT | |
| QUAN. REC'D. | | SYMBOL NO. | | UNIT | |
| QUAN. REC'D. | | QUAN. REC'D. | | QUAN. REC'D. | |
| THIS ORDER TO COVER THE PRIVILEGE OF DUMPING WASTE MATERIAL FOR THE PERIOD OF JANUARY 1, 1975 THROUGH JUNE 30, 1975 | | \$920.00 PER MONTH | | PER VERBAL QUOTE TO DAVE COSTELLO | |
| THIS ORDER SUPERSEDES OUR ORDER 95005-B. | | 11-7-74 | | CJB:KYR | |
| RECEIVING LOCATION | | DATE RECEIVED June 1975 | | RECEIVED BY <i>[Signature]</i> | |
| IF DAMAGED, CAUSE AND EXTENT | | REC'D VIA RR | | TRUCK EXP | |
| ITEM REP | | ON- GAS REC. 100 | | AREA | |
| ACCOUNT OR W.O. | | PRIME | | SUB | |
| LOCATION DETAIL RET. CODE | | S/K CODE | | AMOUNT | |
| Describe use of items purchased and indicate account classification on copy of Purchase Order and/or invoice. | | PRO-WAYBILL FRT. BILL NO. | | CAR INITIALS & NO. | |
| INSPECTED BY | | DATE INSPECTED | | ACCT. CLASS | |
| APPR'D PURCH. AGENT | | TO ACCTG. DEPT. | | | |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

1975- D- 34644

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO 45401

PURCHASE ORDER

DATE 1-1-75

D- 34644 - B

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.TO SOUTH DAYTON DUMP
1975 SPRINGBORO PIKE
DAYTON, OHIO 45439

BLUE COPY SENT TO: STANTON

CC: W.P. LEE, JACKSE
TROUTMAN, GILLESPIE, E.H.
FISCHER, R. ROTH, MAETKE
STORES, BRISTOW, MACY

000020

| | | | | | |
|---------------|-------------|-------------|---------------------|-------------------|------------------|
| SHIP VIA | | DELIVER TO | | THIS COPY USED AS | |
| F.O.B. | | TERMS | DATE MAT'L REQUIRED | ORDER CLOSEOUT | MAT. REC. REPORT |
| | | NET 30 DAYS | AS REQUESTED | | |
| QUAN. ORDERED | DESCRIPTION | | | AMOUNT | SYMBOL NO. |

THIS ORDER TO COVER THE PRIVILEGE OF DUMPING WASTE
MATERIAL FOR THE PERIOD OF JANUARY 1, 1975 THROUGH
JUNE 30, 1975

\$920.00 PER MONTH

PER VERBAL QUOTE TO DAVE COSTELLO

THIS ORDER SUPERSEDES OUR ORDER 95005-B.

| | | | | | | | | |
|------------------------------|---------------|-------------|-----------|-------|----------|----------|---------|---|
| RECEIVING LOCATION | DATE RECEIVED | RECEIVED BY | REC'D VIA | TRUCK | PAR-POST | PRE-PAID | COLLECT | MAT'L TO BE USED FOR |
| | | | RR | EXP | OTHER | COMP. | PART | CJB:KYR WASTE DISPOSAL - VARIOUS LOCATIONS - STORES OPER. |
| IF DAMAGED, CAUSE AND EXTENT | | | | | | | | |

11-7-74

| ITEM REF. | QTY. GAS OIL REC. LOC. | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | PRO-WAYBILL FR. BILL NO. |
|--------------|------------------------|------|-----------------|-----|---------------------------|----------|--------|--------------------------|
| | | | PRIME | SUB | | | | |
| Gas Constr. | 34 | 2880 | | | | | 160.00 | CAR INITIALS & NO. |
| Day. Elec. | 102 | 3588 | | | | | 100.00 | |
| Elec. Mtce. | 106 | 3588 | | | | | 20.00 | INSPECTED BY |
| Longworth | 185 | 5501 | | | | | 600.00 | |
| Stores Oper. | 152 | 5880 | | | | | 20.00 | DATE INSPECTED |
| Stear Distr. | 386 | 5880 | | | | | 20.00 | ACCT. CLASS |
| | | | | | | | | APPR'D PURCH. AGENT |
| | | | | | | | | TO ACCTG. DEPT. |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

D- 34644

BG
D 2-11-75

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike
OFFICE—2708 Keritzer Rd.
Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000022

Wayton Power Light
Purchasing Dept.
25 N. Main St.
Wayton Ohio 45401

RECEIVED
MAR 4 1975
PURCHASING
DEPARTMENT

Date Billed

3-3-75

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| Date Due | | Your Balance is the last Amt. in this column |
|----------|---|---|
| 3-20-75 | P.O.# D-34644-B Dumping for Feb 1975 | \$ 920.00 |

If this has been paid since the first of month, please disregard

BS
P3-14-75

3-12
Costilla
Appl.

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike

OFFICE—2708 Keritzer Rd.

Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000023

Dayton Power & Light Co.
Purchasing Dept.
25 N. Main St.
Dayton Ohio 45401

RECEIVED

APR 2 1975 Date Billed
PURCHASING DEPARTMENT 1-75

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| Date Due | | Your Balance is the last Amt. in this column |
|----------|---|--|
| 4-20-75 | <i>Humpfrey Mack 1975</i> <i>P.O.# D-34644-B</i> | <i>\$920.00</i> |
| | <i>applied 4-10-75</i> <i>lowe</i> | |

If this has been paid since the first of month, please disregard

p4-10-75
BS

000024

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike
OFFICE—2708 Keritzer Rd.
Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

*Dayton Power Light Co.
Purchasing Dept.
25 N. Main St.
Dayton Ohio 45401*

RECEIVED
MAY 2 1975
PURCHASING
DEPARTMENT
Date Billed
5-1-75

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| Date Due | | Your Balance is the last Amt. in this column |
|----------|--|--|
| 5-20-75 | <p><i>Dumping for Apr. 1975</i></p> <p><i>P.O.# D. 34644-B</i></p> <p>RECEIVED MAY 5 1975 PURCHASING DEPARTMENT</p> <p><i>Approved 5/27/75 [Signature]</i></p> <p><i>GS P5-12 75</i></p> | <p><i>\$920.00</i></p> |

000025

SOUTH DAYTON DUMP & LAND FILL

For Sale
Drums, Barrels
and Kegs

Phone: 299-8891

SITE—2055 Springboro Pike
OFFICE—2708 Keritzer Rd.
Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

Wayton Power-Light Co.
Purchasing Dept.
25 N. Main St.
Wayton Ohio 45401

Date Billed
6-2-75

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| Date Due | | Your Balance is the last Amt. in this column |
|----------|--|--|
| 6-20-75 | <p>P. O. # D-34644-B</p> <p>Dumping for May, 1975</p> <p>RECEIVED</p> <p>JUN 3 1975</p> <p>RECEIVED PURCHASING DEPARTMENT</p> <p>RECEIVED</p> <p>JUN 6 - 1975</p> <p>DEPARTMENT OF PUBLIC WORKS</p> <p>Approved 6-5-75</p> <p>Shautan 38</p> <p>6-9-75</p> | \$ 920.00 |

If this has been paid since the first of month, please disregard

000026

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TO PURCHASING WHEN MATERIAL RECEIVED

PURCHASE ORDER NO.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO 45401

PURCHASE ORDER

DATE 7/1/76

D-51097-B

THIS ORDER NUMBER MUST
APPEAR ON ALL INVOICES,
PACKAGES, CORRESPONDENCE
AND SHIPPING PAPERS.

TO:

SOUTH DAYTON DUMP
1975 SPRINGBORO PIKE
DAYTON, OHIO 45439

BLUE COPY SENT TO:

R. KLEY

CC: W.P. LEE, JACKSE,
J. BORTON, GILLESPIE, MAC
G. BORTON, R. ROTH, MAETKE
E. FISCHER, IROHAS, STORE

000027

| | | | | | |
|---|-----------------------------|--|-------------------|------------------|------|
| SHIP TO | DELIVER TO | | THIS COPY USED AS | | |
| F.O.B. | TERMS NET 30 DAYS | DATE MAT'L REQUIRED AS REQUESTED | ORDER CLOSEOUT | MAT. REC. REPORT | |
| C.O.D. ORDERED | DESCRIPTION | | AMOUNT | SYMBOL NO. | UNIT |
| THIS ORDER TO COVER THE PRIVILEGE OF DUMPING WASTE MATERIAL FOR THE PERIOD OF JULY 1, 1976 THROUGH JANUARY 1, 1977. | | | | | |
| \$920.00 PER MONTH | | | | | |
| THIS ORDER SUPERSEDES OUR ORDER D-43141 | | | | | |

10/25/76

| | | | | | | | | |
|---------------------------------|--------------------------|-----------------------------------|-----------------|-------|----------|----------|---------|---|
| RECEIVED LOCATION | DATE RECEIVED 12-1976 | RECEIVED BY <i>[Signature]</i> | REC'D VIA RR | TRUCK | PAR-POST | PRE-PAID | COLLECT | MAT'L TO BE USED FOR BH:DJ WASTE DISPOSAL- VARIOUS LOCATIONS: STORES OPERATIONS |
| IF DAMAGED, QUANTITY AND EXTENT | | EXP | | OTHER | COMP. | PART | | |

| ITEM REF | QTY SAS REC'D | AREA | ACCOUNT OR W.O. | | LOCATION DETAIL RET. CODE | S/K CODE | AMOUNT | PRO-WAYBILL FRT. BILL NO. |
|-------------|---------------------|------|-----------------|-----|---------------------------------|-------------|--------|---------------------------|
| | | | PRIME | SUB | | | | |
| | | | | | | | | CAR INITIALS & NO. |
| | | | | | | | | INSPECTED BY |
| | | | | | | | | DATE INSPECTED |
| | | | | | | | | ACCT. CLASS |
| | | | | | | | | APPR'D PURCH. AGENT |
| | | | | | | | | TO ACCTG. DEPT. |

PLEASE FURNISH THE ABOVE AS INDICATED, SUBJECT TO THE PROVISIONS HEREOF,
INCLUDING THE TERMS AND CONDITIONS ON THE OTHER SIDE. (SEE OTHER SIDE)

D-

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7-2-76

1990

2023

JUL 09 1976

100-443887-100

1000000

JUL 6 1975

MARKETING
DEPARTMENT

68
pg-13-76

If it has been paid since the first of month, please disregard

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

5175-2055 Springboro Pike

Office-2703 Keritzer Rd.

South Dayton, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

Wagner Power Light Co
Purchasing Dept
25 N. Main St
Dayton Ohio 45401

000029

Date Billed

5-3-76

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

Date Due

5-20-76

Wagner Power Light Co
P.O. # D-41-3141-B

Your Balance is the
last Amt. in this column

\$20.00

RECEIVED

AUG 06 1976

PURCHASING
DEPARTMENT

RECEIVED

AUG 5 1976

PURCHASING
DEPARTMENT

38

PG-12-76



If this has been paid since the first of month, please disregard

For Sale
Trucks, Buses
and Wrecks

JOHN DAYTON CO.

Phone: 299-3321

2055 Springboro Rd.

Canal Center, Kenton, Ohio

45439

Buy
Old Trucks
and
Machinery

000030

Wright-Patterson AFB.
Purchasing Dept.
25 W. Main St.
Wright-Patterson AFB 45439

Date Billed

Sept. 2, 1976

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

Date Due

Sept. 1, 1976

P.O. # D-43541-B
Wright-Patterson AFB 45439

Your Balance is the
last Amt. in this column

\$900.00

RECEIVED

SEP 14 1976

PURCHASING
DEPARTMENT

68
89-17-76



If this has been paid since the first of month, please disregard

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8391

SITE—2055 Springboro Pike

OFFICE—2703 Kertzer Rd.

Molina City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000031

Hayter Pump & Lbr Co
Purchasing Dept
25 Warden St
Mayer, Ohio 45401

Date Billed

Oct 1, 1976

Payments rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

Date Due

10

Dumping fee Sept 1976
P.O.# D-43141-15

Your Balance is the
last Amt. in this column

\$ 7.00

RECEIVED

OCT 5 1976

PURCHASING
DEPARTMENT

BS
P10-22-76



RECEIVED

OCT 08 1976

PURCHASING
DEPARTMENT

If this has been paid since the first of month, please disregard

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike

OFFICE—2708 Keritzer Rd.

Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000032

Haydon Power-Light Co.
Purchasing Dept.
25 North Main St
Woughton City, Ohio 45401

Date Billed

Jan 1/1976

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

Date Due

11-20-76

Remitting for Oct. 1976

P. O. H. D. - 43141-B

RECEIVED

NOV 05 1976

PURCHASING
DEPARTMENT



Your Balance is the
last Amt. in this column

\$ 920.00

If this has been paid since the first of month, please disregard

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike

OFFICE—2708 Keritzer Rd.

Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000033

Dayton Power & Light Co.
Purchasing Dept.
25 N. Main St.
Dayton Ohio 45401

Date Billed

12/3/76

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| Date Due | | Your Balance is the last Amt. in this column |
|--|-------------------------------------|--|
| 12/20/76 | P.C.# 51097-B Dumping for Nov. 1976 | \$920.00 |
| <div>RECEIVED DEC 09 1976 PURCHASING DEPARTMENT</div> <div>3</div> <div>138 812-1674</div> <div>DEC 6 1976 PURCHASING DEPARTMENT</div> | | |

If this has been paid since the first of month, please disregard

For Sale
Drums, Barrels
and Kegs

SOUTH DAYTON DUMP & LAND FILL

Phone: 299-8891

SITE—2055 Springboro Pike

OFFICE—2708 Keritzer Rd.

Moraine City, Ohio 45439

We Buy
Old Trucks
Car and
Machinery

000033

Dayton Power & Light Co.
Purchasing Dept.
25 N. Main St.
Dayton Ohio 45401

Date Billed

1-3-77

Statements rendered on or about the first of each month for all bills whether due or not, for the purpose of comparison. Kindly advise of any errors or difference.

| | | |
|--------------------------------|---|--|
| <p>Date Due</p> <p>1-20-77</p> | <p>P.O. # 51097-B</p> <p>Dumping for Dec. 1976</p> <div data-bbox="876 856 1003 982"></div> <div data-bbox="901 1060 1234 1375"><p>RECEIVED</p><p>JAN 10 1977</p><p>PURCHASING DEPARTMENT</p><p>P-1-24-77</p></div> | <p>Your Balance is the last Amt. in this column</p> <p>\$ 920.00</p> |
|--------------------------------|---|--|

If this has been paid since the first of month, please disregard

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RESPONSE TO QUESTION NUMBER 10 CONTAINS
CONFIDENTIAL BUSINESS INFORMATION

000037 → 000178
(Pulled to CBI Files)

000179

RESPONSIVE TO QUESTION 11. a).

000180

THE DAYTON POWER AND LIGHT COMPANY

Amended Articles of Incorporation

Filed January 4, 1991

AMENDED ARTICLES OF INCORPORATION
of
THE DAYTON POWER AND LIGHT COMPANY

FIRST: The name of the Company is The Dayton Power and Light Company.

SECOND: The place in the State of Ohio where its principal office is located is the City of Dayton, Montgomery County.

THIRD: The purposes of the Company are as follows:

A. To manufacture, generate, develop, create and produce from any source and by any means, and to purchase or otherwise acquire, use, transmit, distribute, transport, sell, lease as lessor or as lessee, otherwise dispose of, grant licenses with respect to, furnish any kind of service by means of and engage in research with respect to, any kind or form of electricity, energy, radiation, refrigeration, steam, water, fuel, artificial gas and natural gas for light, heat, power or such other purposes for which any or all of the foregoing can be used, and to do any and all things and transact any and all business necessary, expedient or incidental thereto;

B. To purchase, otherwise acquire, hold, use, improve, develop, build, manufacture, repair, sell, exchange, encumber, lease as lessor or as lessee, otherwise dispose of, grant licenses with respect to, furnish any kind of service by means of and engage in research with respect to, any kind or form of tangible and intangible personal property and any kind or form of real estate, interests therein, buildings, plants, facilities and structures, and to do any and all things and transact any and all business necessary, expedient or incidental thereto: and

C. To engage in any lawful act or activity for which corporations may be formed under Section 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

FOURTH: The maximum number of shares which the Company is authorized to have outstanding is 58,000,000 shares, of which 4,000,000 shares of the par value of \$100 each and of the aggregate par value of \$400,000,000 are Preferred Stock (said 4,000,000 shares being hereinafter called "Preferred Stock (\$100 Par Value)"), 4,000,000 shares of the par value of \$25 each and of the aggregate par value of \$100,000,000 are Preferred Stock (said 4,000,000 shares being hereinafter called "Preferred Stock (\$25 Par Value)") and 50,000,000 shares with a par value of \$.01 per share are Common Stock (said 50,000,000 shares being hereinafter called "Common Stock"). The Preferred Stock (\$100 Par Value) and the Preferred Stock (\$25 Par Value) shall rank pari passu as and to the extent hereinafter provided and are hereinafter collectively called the "Preferred Stock".

The classes of Preferred Stock (\$100 Par Value), Preferred Stock (\$25 Par Value) and Common Stock shall have the following respective express terms:

I. Except as otherwise provided by this Article or by the resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock of either class thereof, the Preferred Stock of such class may be issued at any time or from time to time in any amount, not exceeding in the aggregate, including all shares of any and all series of such class theretofore issued, the total number of shares of Preferred Stock of such class hereinabove authorized, as Preferred Stock of one or more series of such class, as hereinafter provided, and for such lawful consideration as shall be fixed from time to time by the Board of Directors. All shares of any one series of Preferred Stock of such class shall be alike in every particular, each series thereof shall be distinctively designated by letter or descriptive words, and all series of each class of Preferred Stock shall rank equally with, and be identical in all respects to all other series of such class, except as permitted by the provisions of the next following CLAUSE II of this Article.

II. Authority is hereby expressly granted to the Board of Directors from time to time to adopt amendments to these Articles providing for the issue in one or more series of any unissued or treasury shares of the Preferred Stock of either class thereof, and to fix, by the amendment creating each such series of the Preferred Stock:

(a) The designation and number of shares of such series;

(b) The dividend rate of such series and the date from which dividends are cumulative;

(c) The price or prices at which shares of such series may be redeemed, provided that such price shall be, in the case of Preferred Stock (\$100 Par Value), not less than One Hundred Dollars (\$100) per share and not more than One Hundred Fifteen Dollars (\$115) per share, or, in the case of Preferred Stock (\$25 Par Value), not less than Twenty-Five Dollars (\$25) per share and not more than Twenty-Eight Dollars and Seventy-Five Cents (\$28.75) per share, plus, in all cases, an amount equal to all accrued dividends thereon to the date fixed for redemption;

(d) The amount of the sinking fund, if any, to be applied to the purchase or redemption of shares of such series and the manner of its application;

(e) The preference of the shares of such series of Preferred Stock to be paid out of the assets of the Company, whether from capital, surplus or earnings, in the event of any voluntary liquidation, dissolution, or winding up of the Company, provided that such preference shall be an amount, in the case of Preferred Stock (\$100 Par Value), not less than One Hundred Dollars (\$100) per share and not more than One Hundred Fifteen Dollars (\$115) per share, or, in the case of Preferred Stock (\$25 Par Value), not less than Twenty-Five Dollars (\$25) per share and not more than Twenty-Eight Dollars and Seventy-Five Cents (\$28.75) per share, plus, in all cases, an amount equal to all dividends accrued or in arrears;

(f) Whether or not the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of the Company, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments, if any, at which such conversion or exchange may be made; and

(g) Whether or not the issue of any additional shares of such series or any other class or series shall be subject to any restrictions and, if so, the nature of such restrictions.

III. Before any dividends shall be declared or paid upon or set apart for, or distribution made on, the Common Stock or any other class of stock ranking junior to the Preferred Stock and before any sum shall be paid or set apart for the purchase or redemption of Preferred Stock of any series or for the purchase of the Common Stock or any other class of stock ranking junior to the Preferred Stock, the holders of Preferred Stock of each series shall be entitled to receive, if and when declared by the Board of Directors, dividends at the annual rate fixed for such series in accordance with the provisions of this Article, and no more, from the date from which dividends on shares of such series are cumulative, fixed in accordance with the provisions of this Article, payable quarterly on the first days of March, June, September and December of each year; and such dividends shall be cumulative so that if for any dividend period or periods dividends on the outstanding Preferred Stock of any series, at the rates fixed for such series, shall not have been paid, such dividends shall be paid, or declared and set apart for payment, before any dividends shall be declared or paid upon or set apart for, or any distribution made on, the Common Stock or any other class of stock ranking junior to the Preferred Stock and before any sum shall be paid or set apart for the purchase or redemption of Preferred Stock of any series or for the purchase of Common Stock or any other class of stock ranking junior to the Preferred Stock, provided that any moneys theretofore set aside for any sinking fund provided for the Preferred Stock of any series in accordance with the provisions of this Article may be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund. Deferred dividends shall not bear interest. Dividends on all Preferred Stock of the same series shall be cumulative from the same date and in the event of the issue of additional Preferred Stock of any series all dividends paid on Preferred Stock of such series on the date of or on a date prior to the issue of such additional Preferred Stock and all dividends declared and payable to holders of record of Preferred Stock of such series on a date prior to such

additional issue shall be deemed to have been paid on the additional stock so issued. If at any time Preferred Stock of more than one series shall be outstanding, any dividends declared upon the Preferred Stock in an amount less than the full amount payable on all Preferred Stock outstanding shall be declared *pro rata* so that the amounts of dividends declared on each share of the Preferred Stock of different series shall in all cases bear to each other the same proportions that the respective dividend rates of such respective series bear to each other.

After full cumulative dividends as aforesaid upon the Preferred Stock of all series then outstanding shall have been paid for all past dividend periods, and after or concurrently with making payment of or provision for full dividends on the Preferred Stock of all series then outstanding for the current dividend period, and before any sum or sums shall be set aside for, or applied to, the purchase of Common Stock or any other class of stock ranking junior to the Preferred Stock and before any dividend shall be paid or declared or any other distribution ordered or made upon the Common Stock or any other class of stock ranking junior to the Preferred Stock, the Company shall set aside as a sinking fund, when and as required, out of any funds legally available for that purpose, in respect of each series of Preferred Stock any shares of which shall at the time be outstanding and in respect of which a sinking fund for the purchase or redemption thereof has been provided for in accordance with the provisions of this Article, the sum or sums required by the terms of such sinking fund to be applied in the manner specified therein.

Preferred Stock of any series purchased or redeemed by the use of sinking fund moneys or purchased or redeemed otherwise than by the use of sinking fund moneys and applied by the Company as a credit against sinking fund payments, shall be retired and shall not be reissued.

After full cumulative dividends as aforesaid upon the Preferred Stock of all series then outstanding shall have been paid for all past dividend periods, and after or concurrently with making payment of or provision for full dividends on the Preferred Stock of all series then outstanding for the current dividend period, and after the Company shall have complied with the provisions of the foregoing paragraphs of this CLAUSE III in respect of any and all amounts then or theretofore required to be set aside or applied in respect of

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any sinking fund mentioned in said paragraphs, then and not otherwise dividends may be declared upon the Common Stock at such rate as the Board of Directors may determine and no holders of shares of any series of the Preferred Stock, as such, shall be entitled to share therein.

IV. In the event of any liquidation or dissolution or winding up of the Company the holders of the Preferred Stock of each series shall be entitled to receive out of the assets of the Company available for distribution to its stockholders, whether from capital, surplus or earnings, if such liquidation, dissolution or winding up be involuntary, an amount per share equal to the par value of such Preferred Stock plus an amount equal to all dividends accrued or in arrears, or, if such liquidation, dissolution or winding up be voluntary, an amount per share determined as provided in this Article, before any distribution of the assets shall be made to the holders of the Common Stock or any other class of stock ranking junior to the Preferred Stock. If upon any liquidation or dissolution or winding up of the Company the amounts payable on or with respect to the Preferred Stock of all series are not paid in full, the holders of shares of Preferred Stock of all series shall share ratably in any distribution of assets in proportion to the respective amounts payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to the Preferred Stock of all series were paid in full. After payment to the holders of the Preferred Stock of the full preferential amounts hereinbefore provided for, the holders of the Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

V. Upon not less than thirty or more than sixty days previous notice given by mail to record holders of Preferred Stock to be redeemed at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, the Company, at its election, by action of its Board of Directors may redeem the whole of the Preferred Stock or either class thereof or any series thereof or any part of any series thereof by lot or *pro rata*, at any

time or from time to time and at the prices fixed for the redemption of such shares in accordance with the provisions of this Article (the price so fixed for any series plus an amount equal to accrued dividends thereon to the date fixed for redemption being herein called the redemption price of such series). If the Company shall determine to redeem by lot less than all the shares of any series of Preferred Stock, the selection by lot of the shares of such series so to be redeemed shall be conducted by an independent bank or trust company. From and after the date fixed in such notice as the date of redemption, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the redemption price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the date fixed as the date of redemption, on which the Company shall provide moneys for the payment of the redemption price by depositing the amount thereof in trust for the account of the holders of the Preferred Stock called for redemption with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on the Preferred Stock called for redemption shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the redemption price upon presentation and surrender of the respective certificates for the Preferred Stock called for redemption, shall cease and determine. The Company may, from time to time, purchase the whole of the Preferred Stock or either class thereof or any series thereof, or any part of any series thereof, upon the best terms reasonably obtainable, but in no event at a price greater than the redemption price in effect at the date of such purchase of the shares so purchased. Such redemption or purchase may, however, be effected only if full cumulative dividends upon all shares of Preferred Stock of all series then outstanding and not then to be redeemed or purchased shall have been declared and payment provided for. Preferred Stock of any series redeemed or purchased may in the discretion of the Board of Directors be reissued, at any time or from time to time, as stock of the same or of a different series, or may be cancelled and not reissued, except

that any such redeemed or purchased Preferred Stock which shall be applied by the Company as a credit against sinking fund payments shall be retired and shall not be reissued.

VI. So long as any shares of the Preferred Stock of any series shall be outstanding, the Company shall not, without the consent, given in writing or given by resolution adopted at a meeting duly called for that purpose, of the holders of record of at least two-thirds of the total voting power of the Preferred Stock of all series then outstanding, regardless of class or series:

(1) Increase the authorized number of shares of either class of the Preferred Stock, or create or authorize any class of stock ranking prior to or on a parity with the Preferred Stock with respect to the payment of dividends or to the distribution of assets upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or create or authorize any obligation or security convertible into shares of any such class of stock; or

(2) Sell all or substantially all its assets, or sell all or substantially all its electric properties; or

(3) Consolidate or merge with or into any other corporation or corporations; *provided, however*, that the provisions of this subdivision (3) shall not apply to (i) the purchase or other acquisition by the Company of the franchises or assets of another corporation; or (ii) any transaction which does not involve a consolidation or merger under the laws of the State of Ohio; or (iii) a merger or consolidation pursuant to which (a) outstanding shares of the Preferred Stock of each series shall continue to be outstanding with no alteration or change in the express terms or provisions thereof in any respect substantially prejudicial to the holders thereof, or if the Company shall not be the surviving corporation, outstanding shares of the Preferred Stock shall be converted into, or be exchangeable for, a like number of shares of preferred stock of the surviving corporation, which preferred stock shall have substantially the same express terms and provisions as the Preferred Stock so converted or exchanged, (b) the authorized aggregate par value of Preferred Stock shall not be increased or, if the Company is not the surviving corporation, the authorized aggregate par value of preferred stock into or for which the Preferred Stock shall be converted or exchanged shall not exceed the

authorized aggregate par value of Preferred Stock, and (c) no new class of stock having priority over, or being on a parity with, the Preferred Stock as to dividends or assets shall be outstanding or created, or if the Company shall not be the surviving corporation no new class of stock having priority over, or being on a parity with, the preferred stock into or for which the Preferred Stock shall be converted or exchanged, as to dividends or assets, shall be outstanding or created.

(4) For purposes of the foregoing, the voting power of each share of Preferred Stock (\$100 Par Value) shall be deemed to be four times the voting power of each share of Preferred Stock (\$25 Par Value).

The Company shall not amend, alter, change, or repeal any of the express terms and provisions of the Preferred Stock or of either class thereof in any manner substantially prejudicial to the holders of shares of all series of Preferred Stock or of shares of all series of such class thereof without the consent, given in writing or given by resolution adopted at a meeting duly called for that purpose, of the holders of record of at least two-thirds of the total number of shares of each class of Preferred Stock affected, voting as a class and regardless of series.

The Company shall not amend, alter, change, or repeal any of the express terms and provisions of any outstanding series of the Preferred Stock in any manner substantially prejudicial to the holders of shares of one or more, but less than all, series without the consent, given in writing or given by resolution adopted at a meeting duly called for that purpose, of the holders of record of at least two-thirds of the total number of shares of each series affected.

VII. Except as otherwise required by law, by the preceding CLAUSE VI, and by the following provisions of this CLAUSE VII, the holders of shares of Preferred Stock, as such holders, shall not have any right to vote in the election of directors or for any other purpose, and shall not be entitled to notice of any meeting of stockholders. If at any time cumulative dividends upon the outstanding Preferred Stock shall be in arrears in an aggregate amount equivalent to four full quarterly dividends or more, a default in preferred dividends, for the purposes of this CLAUSE VII, shall be deemed to have occurred;

and, having so occurred, such default in preferred dividends shall be deemed to exist thereafter until, but only until, full cumulative dividends upon all the outstanding Preferred Stock to the end of the then current dividend period shall have been paid or declared and set apart for payment. If and whenever a default in preferred dividends shall exist, the holders of the outstanding Preferred Stock, voting separately regardless of class or series, shall have the right, at the next annual meeting of stock holders of the Company for the election of Directors (unless at the time of such meeting such default in preferred dividends shall no longer exist) and at each such meeting thereafter during the existence of such default in preferred dividends, to elect the largest number of Directors which shall not exceed one-third of the members of the Board of Directors of the Company as then constituted, or, if such number shall be less than two, then to elect two Directors. If a default in preferred dividends shall exist and an annual meeting of stockholders for the election of Directors shall for any reason not be held, then a special meeting of stockholders for the purpose of electing Directors shall be called by the Secretary of the Company upon written request of, or may be called by, the holders of record of at least 10% of the shares of Preferred Stock at the time outstanding (in calculating which percentage, each share of Preferred Stock (\$100 Par Value) shall be deemed to be four shares of Preferred Stock and each share of Preferred Stock (\$25 Par Value) shall be deemed to be one share of Preferred Stock), and notice thereof shall be given in the same manner as that required for the annual meeting of stockholders. The holders of the Preferred Stock present in person or by proxy at any annual or special meeting for the purpose of electing Directors as aforesaid shall constitute a quorum for the election of Directors by such holders. Any Director elected by the holders of the Preferred Stock pursuant to the aforesaid right shall continue to serve as such Director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term the default in preferred dividends which permitted his election by the holders of the Preferred Stock shall cease to exist; and, during such term, he may be removed only by the holders of at least a majority of the outstanding shares of Preferred Stock, voting separately regardless of class or series, at a meeting of the holders of the Preferred Stock, called for the purpose. At the same

meeting at which any such removal shall be voted, the holders of the outstanding Preferred Stock, voting separately regardless of class or series, may fill the vacancy caused by such removal, unless at the time no default in preferred dividends shall exist. Except as hereinbefore provided, if, prior to the end of the term of any Director elected by the holders of the Preferred Stock pursuant to this CLAUSE VII a vacancy in the office of such Director shall occur by reason of the death, resignation, removal or disqualification of such Director, or any other cause, such vacancy shall be filled for the unexpired term by the remaining Directors elected by the holders of the Preferred Stock, by affirmative vote of a majority thereof, or by the remaining Director so elected if there be but one, or by the holders of the outstanding Preferred Stock at a meeting thereof, voting separately regardless of class or series, unless at the time no default in preferred dividends shall exist.

Except as herein otherwise expressly provided and except when some mandatory provision of law shall be controlling, whenever shares of two or more series of the Preferred Stock shall be outstanding, no particular class or series of the Preferred Stock shall be entitled to vote as a separate class or series on any matter and all shares of the Preferred Stock shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the Company by classes may now or hereafter be required.

Whenever the holders of Preferred Stock shall have voting rights under this CLAUSE VII, each outstanding share of Preferred Stock (\$100 Par Value) shall entitle the holder thereof to four votes and each outstanding share of Preferred Stock (\$25 Par Value) shall entitle the holder thereof to one vote.

VIII. The holders of the Preferred Stock shall have no right whatever to subscribe for or purchase or receive any part of any new or additional issue of stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property or by way of dividends. The holders of Common Stock shall not be entitled to subscribe for or purchase or receive any part of any new or additional issue of, or any warrant or option for the purchase of, stock of any class or securities convertible into stock of any class whether now or hereafter authorized and

whether issued for cash, property or by way of dividends, except as authorized by the Board of Directors.

IX. The term "accrued dividends", whenever used herein with respect to the Preferred Stock of any series, shall be deemed to mean that amount which would have been paid as dividends on the Preferred Stock of such series to date had full dividends been paid thereon from the date of cumulation of such series at the annual rate fixed for such series in accordance with the provisions of this Article, less, in each case, the amount of all dividends paid upon the shares of such series and the dividends deemed to have been paid as provided in CLAUSE III hereof.

X. The Company shall not, so long as any shares of Preferred Stock shall be outstanding, declare any dividends on any of its Common Stock, except dividends payable in shares of Common Stock of the Company, or purchase any shares of its Common Stock, or make any distribution of cash or property among its Common Stockholders, by the reduction of its capital stock or otherwise, unless, after giving effect to such dividend, purchase or distribution, the aggregate of all such dividends and all amounts applied to such purchases or so distributed subsequent to December 31, 1946, shall not exceed the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000.

For the purposes of this CLAUSE X:

(a) "Common Stock" shall be deemed to include any stock of any class of the Company other than stock with a fixed limit on dividends and a fixed amount payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company.

(b) "Net income of the Company available for dividends on its Common Stock" shall mean the gross earnings of the Company less all proper deductions for operating expenses, taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income), interest charges and other appropriate items, including provision for maintenance, provision for retirements, depreciation or obsolescence, and dividends paid or accrued on all stock of the Company ranking prior to the

Common Stock as to dividends or assets, and otherwise determined in accordance with sound accounting practice; *provided, however*, that in determining the net income of the Company available for dividends on its Common Stock for the purposes of this CLAUSE X no deduction or adjustment shall be made for or in respect of (i) expenses or other charges or credits in connection with the issue and sale of any securities issued by the Company; (ii) expenses or other charges or credits in connection with the redemption or retirement of any securities issued by the Company (including securities of the Company outstanding on December 31, 1946), including any amount paid in excess of the principal amount or par or stated value of securities redeemed or retired and, in the event that such redemption or retirement is effected with the proceeds of sale of other securities of the Company, interest or dividends on the securities redeemed or retired from the date on which the funds required for such redemption or retirement are deposited in trust for such purpose to the date of redemption or retirement; (iii) any tax charges or credits in connection with the matters referred to in (i) and (ii) above; (iv) profits or losses from sales or abandonment of property or other capital assets, or taxes on or in respect of any such profits; or (v) any earned surplus adjustment (including tax adjustments) applicable to any period prior to December 31, 1946.

XI. It is hereby provided that, notwithstanding any provision of the General Corporation Law of Ohio requiring for any purpose or for any action the vote of a designated proportion of the voting power of a corporation, or of any class or classes of the shares thereof, such action may be taken by the vote of the holders of record of a majority of the shares of the Company having voting power and, if action is to be taken upon any matter for which said Law requires a vote of a particular class or classes of shares, by the vote of the holders of record of a majority of the shares of such class or classes, except as otherwise specifically provided in this Article.

XII. The shares of Common Stock may be issued at any time, or from time to time, for such amount of consideration as may be fixed by the Board

of Directors in accordance with the then applicable provisions of the General Corporation Law of Ohio.

XIII. Of the authorized shares of Preferred Stock (\$100 Par Value), 93,280 shares are designated as a series called "Preferred Stock, 3.75% Series A, Cumulative" (hereinafter called Series A Stock), and 69,398 shares are designated as a series called "Preferred Stock, 3.75% Series B, Cumulative" (hereinafter called Series B Stock). The shares of Series A Stock and Series B Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (4) of this CLAUSE XIII:

(1) The annual dividend rate of the Series A Stock shall be 3.75% of the par value thereof. The annual dividend rate of the Series B Stock shall be 3.75% of the par value thereof.

(2) Dividends on Series A Stock and Series B Stock shall be cumulative from June 1, 1947.

(3) The redemption prices of Series A Stock shall be \$104.50 per share if redeemed on or before June 1, 1952, \$103.50 per share if redeemed thereafter and on or before June 1, 1957, and \$102.50 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption.

The redemption prices of Series B Stock shall be \$105 per share if redeemed on or before June 1, 1952, \$104 per share if redeemed thereafter and on or before June 1, 1957, and \$103 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption.

(4) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series A Stock and Series B Stock shall be entitled to amounts equal to the respective redemption prices for such series then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XIV. Of the authorized shares of the Preferred Stock (\$100 Par Value), 65,830 shares are designated as a series called "Preferred Stock, 3.90% Series C, Cumulative" (hereafter called Series C Stock). The shares of Series C Stock shall have the express terms and provisions of the Preferred Stock

(\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (4) of this CLAUSE XIV:

(1) The annual dividend rate of the Series C Stock shall be 3.90% of the par value thereof.

(2) Dividends on Series C Stock shall be cumulative from June 1, 1950.

(3) The redemption prices of Series C Stock shall be \$103 per share if redeemed on or before June 1, 1955, \$102 per share if redeemed thereafter and on or before June 1, 1960, and \$101 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption.

(4) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series C Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XV. Of the authorized shares of the Preferred Stock (\$100 Par Value), 150,000 shares are designated as a series called "Preferred Stock, 7.48% Series D, Cumulative" (hereinafter called Series D Stock). The shares of Series D Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (4) of this CLAUSE XV:

(1) The annual dividend rate of the Series D Stock shall be 7.48% of the par value thereof.

(2) Dividends on Series D Stock shall be cumulative from April 8, 1969.

(3) The redemption prices of Series D Stock shall be \$108.835 per share if redeemed on or before April 30, 1974, \$106.965 per share if redeemed thereafter and on or before April 30, 1979, \$105.095 per share if redeemed thereafter and on or before April 30, 1984, and \$103.225 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series D Stock is not redeemable prior to May 1, 1974, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series D Stock as to dividends or on any liquidation or dissolution or

winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 7.38% per annum.

(4) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series D Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XVI. Of the authorized shares of the Preferred Stock (\$100 Par Value), 200,000 shares are designated as a series called "Preferred Stock, 7.70% Series E, Cumulative" (hereinafter called Series E Stock). The shares of Series E Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (4) of this CLAUSE XVI:

(1) The annual dividend rate of the Series E Stock shall be 7.70% of the par value thereof.

(2) Dividends on Series E Stock shall be cumulative from March 23, 1971.

(3) The redemption prices of Series E Stock shall be \$108.00 per share if redeemed on or before March 31, 1978, \$106.00 per share if redeemed thereafter and on or before March 31, 1981, \$103.00 per share if redeemed thereafter and on or before March 31, 1986, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series E Stock is not redeemable prior to April 1, 1978, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series E Stock as to dividends or on any liquidation or dissolution or winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 7.70% per annum.

(4) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series E Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XVII. Of the authorized shares of the Preferred Stock (\$100 Par Value), 250,000 shares are designated as a series called "Preferred Stock, 7.375% series F, Cumulative" (hereinafter called Series F Stock). The shares of Series F Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (4) of this CLAUSE XVII:

(1) The annual dividend rate of the Series F Stock shall be 7.375% of the par value thereof.

(2) Dividends on Series F Stock shall be cumulative from May 17, 1973.

(3) The redemption prices of Series F Stock shall be \$107.50 per share if redeemed on or before June 1, 1978, \$105.00 per share if redeemed thereafter and on or before June 1, 1983, \$102.50 per share if redeemed thereafter and on or before June 1, 1988, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series F Stock is not redeemable prior to June 1, 1978, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series F Stock as to dividends or on any liquidation or dissolution or winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 7.375% per annum.

(4) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series F Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XVIII. Of the authorized shares of the Preferred Stock (\$100 Par Value), 250,000 shares are designated as a series called "Preferred Stock, 12.50% Series G, Cumulative" (hereinafter called Series G Stock). The shares of Series G Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (7) of this CLAUSE XVIII:

(1) The annual dividend rate of the Series G Stock shall be 12.50% of the par value thereof.

(2) Dividends on Series G Stock shall be cumulative (i) from the original issue date in the case of shares issued on the date of initial issuance of shares of Series G Stock and (ii) from March 1, 1975, in the case of shares subsequently issued.

(3) Except as otherwise provided in subparagraphs (4) and (5) hereof, the redemption price of Series G Stock shall be \$112.00 per share if redeemed on or before October 31, 1984, \$106.00 per share if redeemed thereafter and on or before October 31, 1987, \$103.00 per share if redeemed thereafter and on or before October 31, 1990, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series G Stock is not redeemable prior to November 1, 1984, directly or indirectly, as a part of, or in anticipation of any refunding operation involving the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series G Stock as to dividends on or any liquidation or dissolution or winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 12.50% per annum.

(4) On November 1, 1979, and on each November 1 thereafter (each such date being hereinafter in this CLAUSE XVIII called a Sinking Fund Redemption Date) so long as any shares of Series G Stock shall be outstanding, the Company will redeem as and for a mandatory Sinking Fund for the Series G Stock, at \$100 per share plus an amount equal to all accrued dividends to the applicable Sinking Fund Redemption Date (such price being hereinafter in this CLAUSE XVIII called the Sinking Fund Redemption Price), 12,500 shares of Series G Stock, all in accordance with the provisions of this subparagraph (4) and subparagraph (6); *provided, however*, that the obligation of the Company to redeem shares for the mandatory Sinking Fund as hereinabove provided shall, at the election of the Company, be reduced and satisfied in whole or in part by the number of shares of Series G Stock theretofore purchased, redeemed or otherwise acquired (otherwise than through the operation of the mandatory Sinking Fund provided for in this

subparagraph (4)) and not theretofore made the basis for the reduction of a mandatory Sinking Fund obligation.

(5) On each Sinking Fund Redemption Date commencing November 1, 1984, the Company may at its election redeem, at the Sinking Fund Redemption Price, a number of additional shares of Series G Stock not exceeding 12,500, all in accordance with the provisions of this subparagraph (5) and subparagraph (6) hereof. Shares redeemed pursuant to this subparagraph (5) shall be deemed, for purposes of the proviso in the first sentence of subparagraph (4) hereof, not to have been redeemed or otherwise acquired through the operation of the mandatory Sinking Fund. The right to redeem additional shares pursuant to this subparagraph (5) shall not cumulate if not elected in any year.

(6) At least 60 days prior to each Sinking Fund Redemption Date, the Company shall determine the amount of the payment to be made in cash on such Sinking Fund Redemption Date in respect of shares of Series G Stock then to be redeemed under subparagraphs (4) and (5) hereof and shall thereupon take action to select the shares of Series G Stock to be redeemed on the Sinking Fund Redemption Date. The shares of Series G Stock to be redeemed under subparagraphs (4) and (5) hereof shall be determined by lot or *pro rata*, as the Company shall elect. Not less than 30 or more than 60 days prior notice shall be given by mail to record holders of the shares of Series G Stock to be redeemed under subparagraphs (4) and (5) hereof at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York. If the Company shall determine to redeem by lot, the selection by lot of the shares of Series G Stock to be redeemed shall be conducted by an independent bank or trust company. From and after the Sinking Fund Redemption Date, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the Sinking Fund Redemption Price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the Sinking Fund Redemption Date, on which the Company shall provide moneys for the payment of the Sinking Fund Redemption Price by

depositing the amount thereof in trust for the account of the holders of the Series G Stock called for redemption pursuant to subparagraphs (4) and (5) hereof with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made. all dividends on the shares of Series G Stock called for redemption pursuant to subparagraphs (4) and (5) hereof shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the Sinking Fund Redemption Price upon presentation and surrender of the respective certificates for the shares of Series G Stock called for redemption pursuant to subparagraphs (4) and (5) hereof, shall cease and determine.

(7) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series G Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

XIX. Of the authorized shares of the Preferred Stock (\$100 Par Value), 400,000 shares are designated as a series called "Preferred Stock, 8 5/8% Series H, Cumulative" (hereinafter called Series H Stock). The shares of Series H Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (7) of this CLAUSE XIX:

(1) The annual dividend rate of the Series H Stock shall be 8 5/8% of the par value thereof.

(2) Dividends on Series H Stock shall be cumulative (i) from the original issue date in the case of shares issued on the date of initial issuance of shares of Series H Stock and (ii) from June 1, 1978, in the case of shares subsequently issued.

(3) Except as otherwise provided in subparagraphs (4) and (5) hereof, the redemption price of Series H Stock shall be \$110.00 per share if redeemed on or before March 31, 1983, \$107.00 per share if redeemed thereafter and on or before March 31, 1988, \$104.00 per share if redeemed thereafter and on or

before March 31, 1993, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series H Stock is not redeemable prior to April 1, 1988, directly or indirectly, as a part of, or in anticipation of any refunding operation involving (i) the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series H Stock as to dividends or on any liquidation or dissolution or winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 8 5/8% per annum or (ii) the issuance of any shares of stock ranking as to dividends junior to the Series H Stock.

(4) On April 1, 1983, and on each April 1 thereafter (each such date being hereinafter in this CLAUSE XIX called a Sinking Fund Redemption Date) so long as any shares of Series H Stock shall be outstanding, the Company will redeem as and for a mandatory Sinking Fund for the Series H Stock, at \$100 per share plus an amount equal to all accrued dividends to the applicable Sinking Fund Redemption Date (such price being hereinafter in this CLAUSE XIX called the Sinking Fund Redemption Price), 20,000 shares of Series H Stock, all in accordance with the provisions of this subparagraph (4) and subparagraph (6). The obligation of the Company to redeem shares for the mandatory Sinking Fund as hereinabove provided shall not be reduced or satisfied in whole or in part by any shares of Series H Stock theretofore purchased, redeemed or otherwise acquired (otherwise than through the operation of the mandatory Sinking Fund provided for in this subparagraph (4)).

(5) On each Sinking Fund Redemption Date commencing April 1, 1983, the Company may at its election redeem, at the Sinking Fund Redemption Price, a number of additional shares of Series H Stock not exceeding 20,000, all in accordance with the provisions of this subparagraph (5) and subparagraph (6) hereof. Shares redeemed pursuant to this subparagraph (5) shall be deemed, for purposes of the last sentence of subparagraph (4) hereof, not to have been redeemed or otherwise acquired through the operation of the mandatory Sinking Fund. The right to redeem additional shares pursuant to this subparagraph (5) shall not cumulate if not elected in any year, and the aggregate

number of shares of the Series H Stock which may be redeemed in all redemptions pursuant to this subparagraph (5) shall not exceed 135,000 shares.

(6) At least 60 days prior to each Sinking Fund Redemption Date, the Company shall determine the amount of the payment to be made in cash on such Sinking Fund Redemption Date in respect of shares of Series H Stock then to be redeemed under subparagraphs (4) and (5) hereof and shall thereupon take action to select the shares of Series H Stock to be redeemed on the Sinking Fund Redemption Date. The shares of Series H Stock to be redeemed under subparagraphs (4) and (5) hereof shall be determined and apportioned *pro rata* (to the nearest whole share) among the registered holders of such shares to the extent practicable, and with respect to all holders of shares in respect of which individual *pro rata* apportionment shall not be practicable determination of the shares held by such holders so to be redeemed may be by lot. Not less than 30 or more than 60 days prior notice shall be given by mail to record holders of the shares of Series H Stock to be redeemed under subparagraphs (4) and (5) hereof at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York. If the Company shall redeem by lot as hereinabove provided, the selection by lot of the shares of Series H Stock to be redeemed shall be conducted by an independent bank or trust company. From and after the Sinking Fund Redemption Date, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the Sinking Fund Redemption Price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the Sinking Fund Redemption Date, on which the Company shall provide moneys for the payment of the Sinking Fund Redemption Price by depositing the amount thereof in trust for the account of the holders of the Series H Stock called for redemption pursuant to subparagraphs (4) and (5) hereof with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such

deposit will be made, all dividends on the shares of Series H Stock called for redemption pursuant to subparagraphs (4) and (5) hereof shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the Sinking Fund Redemption Price upon presentation and surrender of the respective certificates for the shares of Series H Stock called for redemption pursuant to subparagraphs (4) and (5) hereof, shall cease and determine.

(7) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series H Stock shall be entitled to an amount equal to \$100.00 per share, plus an amount equal to all accrued dividends.

XX. Of the authorized shares of the Preferred Stock (\$100 Par Value), 450,000 shares are designated as a series called "Preferred Stock, 9 3/8% Series I, Cumulative" (hereinafter called Series I Stock). The shares of Series I Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (7) of this CLAUSE XX:

(1) The annual dividend rate of the Series I Stock shall be 9 3/8% of the par value thereof.

(2) Dividends on Series I Stock shall be cumulative (i) from the original issue date in the case of shares issued on the date of initial issuance of shares of Series I Stock and (ii) from the date of issuance in the case of shares originally issued thereafter.

(3) Except as otherwise provided in subparagraphs (4) and (5) hereof, the redemption price of Series I Stock shall be \$110.00 per share if redeemed on or before April 30, 1984, \$107.00 per share if redeemed thereafter and on or before April 30, 1989, \$104.00 per share if redeemed thereafter and on or before April 30, 1994, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series I Stock is not redeemable prior to May 1, 1989 directly or indirectly, as a part of, or in anticipation of any refunding operation involving (i) the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series I Stock as to dividends or on any liquidation or dissolution or winding up of the Company, if the

interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 9-3/8% per annum or (ii) the issuance of any shares of stock ranking as to dividends junior to the Series I Stock. The shares of Series I Stock to be redeemed under this subparagraph shall be determined and apportioned *pro rata* (to the nearest whole share) among the registered holders of such shares to the extent practicable, and with respect to all holders of shares in respect of which individual *pro rata* apportionment shall not be practicable determination of the shares held by such holders so to be redeemed may be by lot. Notice of any redemption provided for in this subparagraph shall be given by mail to record holders of the shares of Series I Stock to be redeemed at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, such notice to be given not less than 30 or more than 60 days prior to the date fixed as the date of redemption. If the Company shall redeem by lot as hereinabove provided, the selection by lot of the shares of Series I Stock to be redeemed shall be conducted by an independent bank or trust company. From and after the date of redemption, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the redemption price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the date of redemption, on which the Company shall provide moneys for the payment of the redemption price by depositing the amount thereof in trust for the account of the holders of the Series I Stock called for redemption pursuant to this subparagraph with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on the shares of Series I Stock called for redemption pursuant to this subparagraph shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the redemption price upon presentation and surrender of the

respective certificates for the shares of Series I Stock called for redemption pursuant to this subparagraph, shall cease and determine.

(4) On May 1, 1985, and on each May 1 thereafter (each such date being hereinafter in this CLAUSE XX called a Sinking Fund Redemption Date) so long as any shares of Series I Stock shall be outstanding, the Company will redeem as and for a mandatory Sinking Fund for the Series I Stock, at \$100 per share plus an amount equal to all accrued dividends to the applicable Sinking Fund Redemption Date (such price being hereinafter in this CLAUSE XX called the Sinking Fund Redemption Price), 22,500 shares of Series I Stock, all in accordance with the provisions of this subparagraph (4) and subparagraph (6). The obligation of the Company to redeem shares for the mandatory Sinking Fund as hereinabove provided shall not be reduced or satisfied in whole or in part by any shares of Series I Stock theretofore purchased, redeemed or otherwise acquired (otherwise than through the operation of the mandatory Sinking Fund provided for in this subparagraph (4)).

(5) On each Sinking Fund Redemption Date commencing May 1, 1985, the Company may at its election redeem, at the Sinking Fund Redemption Price, a number of additional shares of Series I Stock not exceeding 22,500, all in accordance with the provisions of this subparagraph (5) and subparagraph (6) hereof. Shares redeemed pursuant to this subparagraph (5) shall be deemed, for purposes of the last sentence of subparagraph (4) hereof, not to have been redeemed or otherwise acquired through the operation of the mandatory Sinking Fund. The right to redeem additional shares pursuant to this subparagraph (5) shall not cumulate if not elected in any year, and the aggregate number of shares of the Series I Stock which may be redeemed in all redemptions pursuant to this subparagraph (5) shall not exceed 150,000 shares.

(6) At least 60 days prior to each Sinking Fund Redemption Date, the Company shall determine the amount of the payment to be made in cash on such Sinking Fund Redemption Date in respect of shares of Series I Stock then to be redeemed under subparagraphs (4) and (5) hereof and shall thereupon take action to select the shares of Series I Stock to be redeemed on the Sinking Fund Redemption Date. The shares of Series I Stock to be redeemed under subparagraphs (4) and (5) hereof shall be determined and apportioned *pro rata* (to the nearest whole share) among the registered holders of such

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shares to the extent practicable, and with respect to all holders of shares in respect of which individual *pro rata* apportionment shall not be practicable determination of the shares held by such holders so to be redeemed may be by lot. Not less than 30 or more than 60 days prior notice shall be given by mail to record holders of the shares of Series I Stock to be redeemed under subparagraphs (4) and (5) hereof at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York. If the Company shall redeem by lot as hereinabove provided, the selection by lot of the shares of Series I Stock to be redeemed shall be conducted by an independent bank or trust company. From and after the Sinking Fund Redemption Date, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the Sinking Fund Redemption Price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the Sinking Fund Redemption Date, on which the Company shall provide moneys for the payment of the Sinking Fund Redemption Price by depositing the amount thereof in trust for the account of the holders of the Series I Stock called for redemption pursuant to subparagraphs (4) and (5) hereof with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on the shares of Series I Stock called for redemption pursuant to subparagraphs (4) and (5) hereof shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the Sinking Fund Redemption Price upon presentation and surrender of the respective certificates for the shares of Series I Stock called for redemption pursuant to subparagraphs (4) and (5) hereof, shall cease and determine.

(7) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series I Stock shall be entitled to an amount equal to \$100.00 per share, plus an amount equal to all accrued dividends.

XXI. Of the authorized shares of the Preferred Stock (\$100 Par Value), 300,000 shares are designated as a series called "Preferred Stock, 11.60% Series J, Cumulative" (hereinafter called Series J Stock). The shares of Series J Stock shall have the express terms and provisions of the Preferred Stock (\$100 Par Value) as a class hereinabove stated and as hereinafter provided in subparagraphs (1) to (7) of this *CLAUSE XXI*:

(1) The annual dividend rate of the Series J Stock shall be 11.60% of the par value thereof.

(2) Dividends on Series J Stock shall be cumulative from the date of initial issuance of shares of Series J Stock.

(3) Except as otherwise provided in subparagraphs (4) and (5) hereof, the redemption price of Series J Stock shall be \$111.60 per share if redeemed on or before June 30, 1985, \$108.10 per share if redeemed thereafter and on or before June 30, 1990, \$104.55 per share if redeemed thereafter and on or before June 30, 1995, and \$101.00 per share if redeemed thereafter, plus in each case an amount equal to all accrued dividends to the date of redemption; *provided, however*, that Series J Stock is not redeemable prior to July 1, 1985 directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurring of indebtedness or the issuance of preferred stock ranking prior to or being on a parity with Series J Stock as to dividends or on any liquidation or dissolution or winding up of the Company, if the interest on such indebtedness or the dividends on such preferred stock result in an effective yield, based on the initial offering price thereof, of less than 11.60% per annum.

(4) On July 1, 1986, and on each July 1 thereafter (each such date being hereinafter in this *CLAUSE XXI* called a Sinking Fund Redemption Date) so long as any shares of Series J Stock shall be outstanding, the Company will redeem as and for a mandatory Sinking Fund for the Series J Stock, at \$100 per share plus an amount equal to all accrued dividends to the applicable Sinking Fund Redemption Date (such price being hereinafter in this *CLAUSE XXI* called the Sinking Fund Redemption Price), 9,000 shares of Series J Stock, all in accordance with the provisions of this subparagraph (4) and subparagraph (6); *provided, however*, that the obligation of the Company to redeem shares for the mandatory Sinking Fund as hereinabove provided

shall, at the election of the Company, be reduced and satisfied in whole or in part by the number of shares of Series J Stock theretofore purchased, redeemed or otherwise acquired (otherwise than through the operation of the mandatory Sinking Fund provided for in this subparagraph (4)) and not theretofore made the basis for the reduction of a mandatory Sinking Fund obligation.

(5) On each Sinking Fund Redemption Date commencing July 1, 1986, the Company may at its election redeem, at the Sinking Fund Redemption Price, a number of additional shares of Series J Stock not exceeding 9,000, all in accordance with the provisions of this subparagraph (5) and subparagraph (6) hereof. Shares redeemed pursuant to this subparagraph (5) shall be deemed, for purposes of the proviso in subparagraph (4) hereof, not to have been redeemed or otherwise acquired through the operation of the mandatory Sinking Fund. The right to redeem additional shares pursuant to this subparagraph (5) shall not cumulate if not elected in any year.

(6) At least 60 days prior to each Sinking Fund Redemption Date, the Company shall determine the amount of the payment to be made in cash on such Sinking Fund Redemption Date in respect of shares of Series J Stock then to be redeemed under subparagraphs (4) and (5) hereof and shall thereupon take action to select the shares of Series J Stock to be redeemed on the Sinking Fund Redemption Date. The shares of Series J Stock to be redeemed under subparagraphs (4) and (5) hereof shall be determined and apportioned by lot or *pro rata*, as the Company shall elect. Not less than 30 or more than 60 days prior notice shall be given by mail to record holders of the shares of Series J Stock to be redeemed under subparagraphs (4) and (5) hereof at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Dayton, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York. If the Company shall redeem by lot, the selection by lot of the shares of Series J Stock to be redeemed shall be conducted by an independent bank or trust company. From and after the Sinking Fund Redemption Date, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the Sinking Fund Redemption Price pursuant to such notice, or, if the Company shall so elect,

from and after a date, which shall be prior to the Sinking Fund Redemption Date, on which the Company shall provide moneys for the payment of the Sinking Fund Redemption Price by depositing the amount thereof in trust for the account of the holders of the Series J stock called for redemption pursuant to subparagraphs (4) and (5) hereof with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Dayton, Ohio, and having capital and surplus of at least \$5,000,000 pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on the shares of Series J Stock called for redemption pursuant to subparagraphs (4) and (5) hereof shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the Sinking Fund Redemption Price upon presentation and surrender of the respective certificates for the shares of Series J Stock called for redemption pursuant to subparagraphs (4) and (5) hereof, shall cease and determine.

(7) In the event of any voluntary liquidation, dissolution or winding up of the Company, Series J Stock shall be entitled to an amount equal to the redemption price then in effect as set forth in subparagraph (3) hereof, plus an amount equal to all accrued dividends.

FIFTH: At the time of filing these Amended Articles of Incorporation, the stated capital of the Company is Four Hundred-Twelve Thousand Dollars (\$412,000).

SIXTH: These Amended Articles of Incorporation supersede and take the place of the existing amended Articles of Incorporation, as heretofore amended, of the Company.

000210

CERTIFICATE OF ADOPTION
of
AMENDED ARTICLES OF INCORPORATION OF
THE DAYTON POWER AND LIGHT COMPANY

Stephen F. Koziar, Group Vice President and Judy W. Lansaw, Vice President and Secretary of The Dayton Power and Light Company, an Ohio Corporation, with its principal office in the City of Dayton, Ohio, do hereby certify that a meeting of the Board of Directors of said Company was duly called and held on August 7, 1990, at which meeting a quorum of such Directors was present, and that at such meeting the following resolution adopting Amended Articles of Incorporation of said Corporation to consolidate the provisions of the original Articles of said Corporation and all previously adopted amendments to the Articles in force at the time was duly adopted by the Board of Directors under authority of Section 1701.72(B) of the Revised Code of Ohio:

RESOLVED that the Amended Articles of Incorporation, consolidating the provisions of the original Amended Articles of Incorporation of this Company and of all previously adopted amendments, be, and hereby are, adopted.

We further certify that the Amended Articles of Incorporation to which this Certificate of Adoption is attached is a true and complete copy of the Amended Articles of Incorporation adopted by the Board of Directors of said Corporation as aforesaid.

000211

IN WITNESS WHEREOF, said Stephen F. Koziar, Group Vice President and said Judy W. Lansaw, Vice President and Secretary, of The Dayton Power and Light Company, acting for and on behalf of said Corporation, do hereunto subscribe their names this 7th day of August, 1990.

STEPHEN F. KOZIAR
Group Vice President

JUDY W. LANSAW
Vice President and Secretary

[SEAL]

000212

THE STATE OF OHIO

BOB TAFT
Secretary of State

Certificate 27514

It is hereby certified that the Secretary of State of Ohio has custody of the Records of Incorporation and Miscellaneous Filings; that said records show the filing and recording of:

AMENDED ARTICLES OF INCORPORATION
OF:
THE DAYTON POWER AND LIGHT COMPANY

Recorded on Roll H067 at Frame 0084 of the Records of Incorporation and Miscellaneous Filings.

Witness my hand and the seal of the Secretary of State at Columbus, Ohio, this 4th day of January, A.D. 1991.

UNITED STATES OF AMERICA
STATE OF OHIO
OFFICE OF THE SECRETARY OF STATE

BOB TAFT
Secretary of State

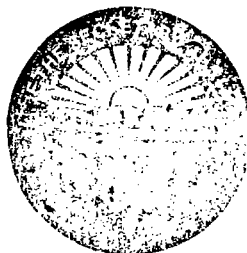
[SEAL]

000213

UNITED STATES OF AMERICA, 21514
STATE OF OHIO,
OFFICE OF THE SECRETARY OF STATE

I, J. Kenneth Blackwell, Secretary of State of the State of Ohio, do hereby certify that the foregoing is a true and correct copy, consisting of 32 pages, as taken from the original record now in my official custody as Secretary of State.

WITNESS my hand and official seal at
Columbus, Ohio, this 25th day of
February A.D. 2000



J. Kenneth Blackwell

J. KENNETH BLACKWELL
Secretary of State

By: [Signature]

NOTICE: This is an official certification only when reproduced in red ink

000214

RESPONSIVE TO QUESTION 11. b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

000215

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2001**

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2385

THE DAYTON POWER AND LIGHT COMPANY

(Exact name of registrant as specified in its charter)

OHIO

*(State or other jurisdiction of
incorporation or organization)*

1065 Woodman Drive, Dayton, Ohio
(Address of principal executive offices)

31-0258470

(I.R.S. Employer Identification No.)

45432

(Zip Code)

Registrant's telephone number, including area code: **937-224-6000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ✓ NO _____

Number of shares of registrant's common stock outstanding as of February 28, 2002, all of which were held by DPL Inc., was 41,172,173.

THE DAYTON POWER AND LIGHT COMPANY

Index to Annual Report on Form 10-K
Fiscal Year Ended December 31, 2001

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THE COMPANY

The Dayton Power and Light Company ("DP&L" or "the Company") is a public utility incorporated under the laws of Ohio in 1911. The Company sells electricity to residential, commercial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for the Company's 24 county service area is generated at eight power plants and is distributed to more than 500,000 retail customers. Principal industries served include automotive, food processing, paper, technology, and defense. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area.

The Company employed 1,539 persons as of December 31, 2001, of which 1,298 were full-time employees and 241 were part-time employees.

All of the outstanding shares of common stock of the Company are held by DPL Inc. ("DPL"), which became the Company's corporate parent, effective April 21, 1986.

The Company's principal executive and business office is located at 1065 Woodman Drive, Dayton, Ohio 45432 - telephone (937) 224-6000.

COMPETITION

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers as of January 1, 2001. Under the legislation, electric generation, aggregation, power marketing, and power brokerage services supplied to retail customers in Ohio is deemed to be competitive and is not subject to supervision and regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the legislation, the Company filed its transition plan at the PUCO on December 20, 1999. The Company received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time the Company's generation assets will no longer be subject to Ohio regulation and will be able to sell all capacity in the open energy market. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million; rate certainty for the three year period for customers that continue to purchase power from the Company; guaranteed rates for a six-year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its growth initiatives without regulatory restrictions.

On September 30, 1996, the FERC conditionally accepted the Company's market-based sales tariff, which will allow the Company to sell wholesale generation supply at prices that reflect current market prices.

The Company competes with privately and municipally owned electric utilities and rural electric cooperatives, and other alternate fuel suppliers on the basis of price and service. The Company purchases generation capacity from DPL Energy, LLC, a wholly owned subsidiary of DPL.

Like other utilities and energy marketers, the Company from time to time may have electric generating capacity available for sale on the wholesale market. The Company competes with other generators to sell electricity provided by such capacity. The ability of the Company to sell this electricity will depend on how the Company's price, terms and conditions compare to those of other suppliers. In addition, from time to time, the Company makes power purchases from other suppliers.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

The Company provides transmission and wholesale electric service to twelve municipal customers which distribute electricity within their corporate limits. In addition to these municipal customers, the Company maintains an interconnection agreement with one municipality that has the capability to generate a portion of its energy requirements. Sales to municipalities represented 1.7% of total electricity sales in 2001.

The municipal agreements provide, among other things, for the sale of firm power by the Company to the municipalities on specified terms. However, the parties disagree in their interpretation of this portion of the agreement and the Company filed suit against the eleven municipalities on December 28, 1998. The dispute was subsequently settled in 1999. In December 1999, the Company filed a second suit against the municipalities to claim the municipalities' initial failure to pay for certain services rendered under the contract. The municipalities filed a complaint at the Federal Energy Regulatory Commission ("FERC") claiming violation of a mediation clause. On June 29, 2000 the FERC Administrative Law Judge issued an initial decision in the case, which was favorable to the Company; however, the FERC has not yet issued a final order. This dispute is expected to be resolved through the FERC process, and is not expected to result in a material impact on the Company's financial position or results of operations.

On April 24, 1996, the FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, the FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. Both in 1997 and 1998, the Company reached an agreement in principle with staff and intervenors in these tariff cases. The FERC issued an Order accepting the Stipulation between the parties in the Company's Open Access Transmission Tariff cases on July 30, 1999 and September 17, 1999. The Company was not materially impacted by the Order.

FERC issued a final rule on December 20, 1999 specifying the minimum characteristics and functions for Regional Transmission Organizations ("RTO"). The rule required that

all public utilities that own, operate or control interstate transmission file a proposal to join an RTO by October 15, 2000 or file a description of efforts taken to participate in an RTO, reasons for not participating in an RTO, any obstacles to participation in an RTO, and any plans for further work towards participation. The Company filed with the FERC on October 16, 2000 to join the Alliance RTO. On December 19, 2001, the FERC issued an Order that did not approve the Alliance RTO as a stand-alone regional transmission organization. As of December 31, 2001, the Company had invested approximately \$6 million in its efforts to join the Alliance RTO. The Company is exploring its operational and financial options as a result of the FERC Order. The FERC recognized in its Order that substantial losses were incurred to establish the Alliance RTO and that it would consider proposals for rate recovery of prudently incurred costs.

On July 22, 1998, the PUCO approved the implementation of Minimum Electric Service Standards for all of Ohio's investor-owned electric utilities. This Order details minimum standards of performance for a variety of service related functions effective July 1, 1999. On December 21, 1999, the PUCO issued additional rules proposed by the PUCO staff, which are designed to guide the electric utility companies as they prepare to enter into deregulation. These rules include certification of providers of competitive retail electric services, minimum competitive retail electric service standards, monitoring the electric utility market, and establishing procedures for alternative dispute resolution. There were also rules issued to amend existing rules for noncompetitive electric service and safety standards and electric companies long-term forecast reporting. The Company submitted comments on the proposed rules on January 31, 2000. The rules were finalized by the PUCO in June 2000 and did not have a material impact on the Company's financial position.

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash.

CONSTRUCTION PROGRAM

Construction additions are expected to approximate \$133 million in 2002, and were \$164 million in 2001 and \$125 million in 2000. The capital program includes environmental compliance, which is expected to approximate \$64 million in 2002, and was \$58 and \$15 million in 2001 and 2000, respectively.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery. The Company expects to finance its construction program in 2002 and 2003 with internal funds.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings, which may change the level of future construction additions. The potential impact of these events on the Company's operations cannot be estimated at this time.

ELECTRIC OPERATIONS AND FUEL SUPPLY

The Company's present winter generating capability is 3,371,000 KW. Of this capability, 2,843,000 KW (approximately 84%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 87% (2,472,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Each company owns a specified undivided share of each of these units, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by the Company. The Company's all-time net peak load was 3,130,000 KW, occurring in 1999. The present summer generating capability is 3,269,000 KW.

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-----------------|-------|
| | | | | Company Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 371 | 371 |
| Killen | C | Company | Wrightsville, OH | 402 | 600 |
| Stuart | C | Company | Aberdeen, OH | 820 | 2,340 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miami Fort-Units 7 & 8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 33 | 33 |
| Yankee Street | W | Company | Centerville, OH | 138 | 138 |
| Monument | W | Company | Dayton, OH | 12 | 12 |
| Tait | W | Company | Dayton, OH | 10 | 10 |
| Sidney | W | Company | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | Company | Moraine, OH | 100 | 100 |
| Tait Gas Turbine 2 | W | Company | Moraine, OH | 102 | 102 |
| Tait Gas Turbine 3 | W | Company | Moraine, OH | 102 | 102 |
| Killen | C | Company | Wrightsville, OH | 16 | 24 |
| Stuart | C | Company | Aberdeen, OH | 3 | 10 |

*W = V/holly-Owned

C = Commonly Owned

In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. The Company has several interconnections with other companies for the purchase, sale and interchange of electricity. In July 2001, the Company completed a 40.2-mile long, 345,000-volt circuit between CG&E's Foster Substation and DP&L's Bath Substation. The circuit is jointly owned by DP&L and CG&E.

The Company generated over 99% of its electric output from coal-fired units in 2001. The remainder was from oil or natural gas-fired units, which were used to meet peak demands.

The Company has contracted approximately 95% and 74% of its total coal requirements for 2002 and 2003, respectively, with the balance to be obtained by spot market purchases. The prices to be paid by the Company under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kilowatt-hour ("kWh") generated of fuel burned for electric generation (coal, gas and oil) for the year was 1.31¢ in 2001, 1.18¢ in 2000 and 1.30¢ in 1999. With the onset of competition in January 2001, the Electric Fuel Component became part of the Standard Offer Generation Rate. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of taxes). Proceeds from the sale were used to finance DPL's regional generation expansion and reduce outstanding short-term debt.

RATE REGULATION AND GOVERNMENT LEGISLATION

The Company's sales to retail customers are subject to rate regulation by the PUCO and various municipalities. The Company's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by the FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL. The legislation extends

the PUCO's supervisory powers to a holding company system's general condition and capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service.

Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| (\$ in millions) | At December 31, | |
|--|-----------------|----------------|
| | 2001 | 2000 |
| Regulatory transition costs (a)..... | \$ 97.2 | \$144.8 |
| Income taxes recoverable through future revenues (b)..... | 39.2 | 49.4 |
| Other costs (b)..... | <u>2.5</u> | <u>1.6</u> |
| Total | <u>\$138.9</u> | <u>\$195.8</u> |

(a) As discussed in the COMPETITION section, the Company received PUCO approval of its transition plan for the deregulation of its generation business. Accordingly, the Company discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate primarily to the Company's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

Under the legislation passed in 1999, the percentage of income payment plan ("PIPP") for eligible low-income households was converted to a universal service fund in 2001. The universal service program is administered by the Ohio Department of Development and provides for full recovery of arrearages for qualifying low income customers. As part of the Company's Electric Transition Plan, the Company was granted authority to recover PIPP arrearages remaining as of December 31, 2000 as part of a transition charge.

In 2000, the PUCO amended the rules for Long-Term Forecast Reports for all investor-owned electric transmission and distribution companies in Ohio. Under these rules, each transmission and/or distribution company must annually file a Long-Term Electric Forecast Report, which presents 10-year energy and demand transmission and distribution forecasts. The reports also must contain information on the company's existing and planned transmission and distribution systems, as well as a substantiation of the need for any system upgrades or additions. The Company filed a combined 2000/2001 Long-Term Electric Forecast Report under these amended rules in March 2001.

The PUCO is composed of five commissioners appointed to staggered five-year terms. The current Commission is composed of the following members:

| <u>Name</u> | <u>Beginning of Term</u> | <u>End of Term</u> |
|---------------------------------|--------------------------|--------------------|
| Clarence D. Rogers | February 2001 | April 2006 |
| Rhonda H. Fergus | April 1995 | April 2005 |
| Chairman Alan R. Schriber | April 1999 | April 2004 |
| Donald L. Mason..... | April 1998 | April 2003 |
| Judith A. Jones | April 1997 | April 2002 |

See COMPETITION for more detail regarding the impact of legislation passed in October 1999.

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company, including the commonly owned facilities operated by the Company, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION PROGRAM.

Air Quality

The Clean Air Act Amendments of 1990 (the "CAA") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The CAA restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements became effective on January 1, 2000.

The Company's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993 and, on November 9, 1995, the PUCO approved the continued appropriateness of the ECP. Phase I requirements were met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the CAA were approximately \$5.5 million. Phase II requirements are being met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units.

In November 1999, the United States Environmental Protection Agency ("USEPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the CAA. Generation units operated by partners CG&E (Beckjord 6) and CSP (Conesville 4) and co-owned by the Company were referenced in these actions. Numerous northeast states have filed complaints or have indicated that they will be joining the USEPA's action against the partners. The Company was not identified in the NOV's, civil complaints or state actions. In December 2000, CG&E announced that it had reached an Agreement in Principle with the USEPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing. The outcome of these claims or the impact, if any, on the Company has not been determined. In June 2000, the USEPA issued a NOV to DP&L-operated J.M. Stuart Station (co-owned by the Company, CG&E, and CSP) for alleged violations of the CAA. The NOV contained allegations consistent with NOV's and

complaints that the USEPA had previously brought against numerous other coal-fired utilities in the Midwest. The Company will vigorously challenge the NOV. At this time, the outcome of these claims or the impact, if any, on the Company is unknown.

In September 1998, the USEPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the CAA. The modified SIPs are likely to result in further nitrogen oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million, of which \$94 million remains to be expended by May 2004. Industry groups and others appealed the rules in United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rule an additional year, until May 31, 2004. In March 2001, the United States Supreme Court refused to hear further appeals of the SIP rules. In December 1999, the USEPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. In January 2002, the USEPA announced that reductions required under the CAA Section 126 rulemaking will be extended until May 31, 2004 to be consistent with the NOx SIP rule. The Company's current NOx reduction strategy and associated expenditures to meet the SIP call should satisfy the rulemaking reduction requirements.

On December 14, 2000, the USEPA issued a determination that coal- and oil-fired electric generation units should be regulated for emissions of mercury and hazardous air pollutants. The USEPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

In March 2002, the United States Court of Appeals for the District of Columbia upheld the USEPA's National Ambient Air Quality Standards for ozone and fine particles. The USEPA is conducting a rulemaking regarding these standards. The impact of these standards and rules can not be determined at this time.

Land Use

The Company and numerous other parties have been notified by the USEPA or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRP's") for clean-up at three superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio; the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio; and the Tremont City Landfill in Springfield, Ohio.

The Company received notification from the USEPA in July 1987 for the Cardington Road site. The Company has not joined the PRP group formed at that site because of the absence of any known evidence that the Company contributed hazardous substances to this site. In September 2001, the Court entered and finalized DP&L's settlements with the USEPA for this site. These settlements fully resolve DP&L's liabilities for this site and did not have a material effect on the Company's financial position, earnings, or cash flow.

The Company and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRP's for clean up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. The Company has not joined the PRP group formed for the site because the available information does not demonstrate that the Company contributed hazardous substances to the site. The Ohio EPA has not provided an estimated cost for this site. In October 2000, the PRP group brought an action against the Company and numerous other parties alleging that the Company and the others are PRP's that should be liable for a portion of clean-up costs at the site. The Company will vigorously challenge this action. The final resolution is not expected to have a material effect on the Company's financial position, earnings, or cash flow.

The Company and numerous other parties received notification from the USEPA in January 2002 for the Tremont City site. The available information does not demonstrate that the Company contributed any hazardous substances to the site. The Company will vigorously challenge this action. The final resolution is not expected to have a material effect on the Company's financial position, earnings, or cash flow.

The Dayton Power and Light Company
OPERATING STATISTICS
ELECTRIC OPERATIONS

000226

| | Years Ended December 31 | | |
|-------------------------------------|-------------------------|-------------|-------------|
| | 2001 | 2000 | 1999 |
| Electric Sales (millions of kWh) | | | |
| Residential..... | 4,909 | 4,816 | 4,725 |
| Commercial..... | 3,618 | 3,540 | 3,390 |
| Industrial..... | 4,568 | 4,851 | 4,876 |
| Other retail..... | 1,369 | 1,370 | 1,306 |
| Total Retail..... | 14,464 | 14,577 | 14,297 |
| Wholesale..... | 3,591 | 2,946 | 2,570 |
| Total..... | 18,055 | 17,523 | 16,867 |
| Electric Revenues (thousands) | | | |
| Residential..... | \$ 429,932 | \$ 422,733 | \$ 412,808 |
| Commercial..... | 255,149 | 245,097 | 235,309 |
| Industrial..... | 210,022 | 236,670 | 242,410 |
| Other retail..... | 92,992 | 93,227 | 88,809 |
| Total Retail..... | 988,095 | 997,727 | 979,336 |
| Wholesale..... | 200,154 | 112,328 | 79,008 |
| Total..... | \$1,188,249 | \$1,110,055 | \$1,058,344 |
| Electric Customers at End of Period | | | |
| Residential..... | 445,969 | 444,683 | 441,468 |
| Commercial..... | 46,700 | 46,218 | 45,470 |
| Industrial..... | 1,903 | 1,928 | 1,917 |
| Other..... | 6,302 | 6,156 | 6,040 |
| Total..... | 500,874 | 498,985 | 494,895 |

NOTE: See Note 14 to Consolidated Financial Statements for additional information.

The Dayton Power and Light Company
OPERATING STATISTICS
GAS OPERATIONS

| | Years Ended December 31 | | |
|---------------------------------------|-------------------------|-------------------|------------------|
| | 2001 | 2000 | 1999 |
| Gas Sales (thousands of MCF) | | | |
| Residential..... | - | 18,538 | 24,450 |
| Commercial..... | - | 5,838 | 7,647 |
| Industrial..... | - | 2,034 | 2,246 |
| Public authorities..... | - | 776 | 1,182 |
| Transportation gas delivered..... | - | 16,105 | 20,190 |
| Total..... | - | 43,291 | 55,715 |
| Gas Revenues (thousands) | | | |
| Residential..... | - | \$ 119,460 | \$139,545 |
| Commercial..... | - | 35,262 | 40,225 |
| Industrial..... | - | 11,114 | 11,017 |
| Public authorities..... | - | 4,466 | 5,908 |
| Other..... | - | 13,554 | 18,284 |
| Total..... | - | \$ 183,856 | \$214,979 |
| Gas Customers at End of Period | | | |
| Residential..... | - | - | 282,706 |
| Commercial..... | - | - | 22,635 |
| Industrial..... | - | - | 1,303 |
| Public authorities..... | - | - | 1,173 |
| Total..... | - | - | 307,817 |

NOTE:

- 1) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000.
- 2) See Note 14 to Consolidated Financial Statements for additional information.

Electric

Information relating to the Company's electric properties is contained in Item 1 - BUSINESS, THE COMPANY (page 3), CONSTRUCTION PROGRAM (pages 5-6), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 6-7) and Item 8 - Notes 4 and 11 of Notes to Consolidated Financial Statements on pages 31-32 and 39-40, respectively, which pages are incorporated herein by reference.

Gas

Information relating to the Company's gas properties is contained in Item 1 - BUSINESS, THE COMPANY (page 3), and GAS OPERATIONS AND GAS SUPPLY (page 7) and Note 3 of Notes to Consolidated Financial Statements (page 31), which pages are incorporated herein by reference.

Substantially all property and plant of the Company is subject to the lien of the Mortgage securing the Company's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving the Company is contained in Item 1 - BUSINESS, THE COMPANY (page 3), COMPETITION (pages 3-5), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 6-7), RATE REGULATION AND GOVERNMENT LEGISLATION (pages 7-9), ENVIRONMENTAL CONSIDERATIONS (pages 9-11) and Item 8 - Note 4 of Notes to Consolidated Financial Statements on pages 31-32, which pages are incorporated herein by reference.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

PART II**Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters**

The Company's common stock is held solely by DPL Inc. and as a result is not listed for trading on any stock exchange.

The information required by this item of Form 10-K is set forth in Item 8 - Selected Quarterly Information on page 42 and the Financial and Statistical Summary on page 43, which pages are incorporated herein by reference.

As long as any Preferred Stock is outstanding, the Company's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its

Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year-end, all earnings reinvested in the business of the Company were available for Common Stock dividends.

Item 6 - Selected Financial Data

The information required by this item of Form 10-K is set forth in Item 8 - Financial and Statistical Summary on page 43, which page is incorporated herein by reference.

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Dayton Power and Light Company ("DP&L" or "the Company") reported earnings on common stock of \$240.4 million, an increase of 9% over 2000 earnings on common stock of \$221.0 million in 2000 and up 25% from earnings on common stock of \$191.6 million in 1999. (Earnings on common stock numbers are before extraordinary and non-recurring items.) Growth from increased wholesale sales and sales of capacity from 2001 and 2000 peaking generation capacity additions were the primary drivers. Results for 2001 included net non-recurring items of \$6.0 million after tax, reflecting the adoption of the new accounting standard for derivatives in the first quarter, and charges associated with a voluntary early retirement program completed in June 2001 and a non-union workforce reduction program completed in November 2001.

Several events affected the Company's results in 2000 as it prepared for the deregulation of the energy markets. In the first quarter, the Company expensed \$4.2 million before tax benefits to realign its compensation programs more fully with shareholders' interest. In the third quarter, the Company received an order from the Public Utilities Commission of Ohio ("PUCO") approving its deregulation transition plan ("Transition Plan"), which resulted in an extraordinary charge of \$63.7 million before tax benefits for the elimination of regulatory accounting for the generation business. In the fourth quarter, the Company completed the sale of its natural gas retail distribution operations and reported a pre-tax gain on the sale of \$182.5 million. Each of these non-recurring events affected 2000 financial results as outlined below:

| \$ in millions | 2001 | 2000 | 1999 |
|--|----------------|---------|---------|
| Earnings on Common Stock after non-recurring and extraordinary items..... | \$234.4 | \$297.9 | \$191.6 |
| Voluntary early retirement | 3.2 | | |
| Non-union reduction | 3.8 | | |
| Accounting change | (1.0) | | |
| Compensation program | | 2.7 | |
| Deregulation order | | 41.4 | |
| Gas operations – gain on sale | | (121.0) | |
| Earnings on Common Stock before non-recurring and extraordinary items..... | \$240.4 | \$221.0 | \$191.6 |

Income Statement Highlights

| \$ in millions | 2001 | 2000 | 1999 |
|--------------------------------|------------------|-----------|-----------|
| <i>Electric:</i> | | | |
| Revenues | \$1,188.2 | \$1,110.1 | \$1,058.3 |
| Fuel and purchased power | 349.9 | 286.1 | 263.2 |
| Net revenues | 838.3 | 824.0 | 795.1 |
| <i>Gas Utility: (a)</i> | | | |
| Revenues | - | 183.8 | 215.0 |
| Gas purchased for resale | - | 116.9 | 129.9 |
| Net revenues | - | 66.9 | 85.1 |

(a) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000.

In 2001, net electric revenues increased \$14.3 million or 2% primarily as a result of additional peaking generation capacity sales and increased wholesale revenues. Wholesale revenues from existing generation increased as a result of higher sales volume and commodity prices. Growth in residential and commercial sales of 2% was offset by declines in industrial sales of 6%, reflecting current economic conditions and mild weather, which reduced overall retail sales by 1%. Fuel costs for existing generation increased as a result of higher spot-market prices for coal, and greater fuel usage and power purchases resulting from increased wholesale sales. In 2000, net electric revenues increased \$28.9 million or 4% as a result of higher wholesale and retail sales, and the addition of peaking generation capacity sales. The effect of these increased sales on fuel and purchased power costs were offset by lower fuel expense used in generation.

The decline in net gas revenues for both 2001 and 2000 resulted from the sale of the natural gas retail distribution assets and certain liabilities, which was completed in October 2000.

Operation and maintenance expense decreased \$26.8 million or 14% in 2001 primarily as a result of the sale of the natural gas retail distribution operations, lower employee benefit and insurance costs, and general cost containment efforts. These decreases

were partially offset by charges for a voluntary early retirement program and a non-union workforce reduction program, totaling \$10.7 million before tax benefits. Operation and maintenance expense decreased \$12.8 million or 6% in 2000 as a result of lower employee benefit costs and natural gas retail distribution system expense, partially offset by higher insurance and claims costs, uncollectibles, and power production costs. Year to year variances in insurance and claims costs result primarily from adjustments to actuarially-determined reserve requirements for risks insured through a captive insurance company wholly-owned by DPL Inc. ("DPL").

Depreciation and amortization expense decreased 11% and 3% in 2001 and 2000, respectively, primarily as a result of depreciation rate changes for certain generation units in 2001 and the sale of the natural gas retail distribution assets.

Beginning January 1, 2001, regulatory transition cost assets of \$144.8 million are being amortized over a three-year period based on transition revenues. As a result, amortization expense increased by \$30.6 million in 2001 for transition revenues recognized during the year.

General taxes decreased \$29.7 million or 23% in 2001 primarily as a result of changes in tax laws associated with the Transition Plan and the sale of the natural gas retail distribution assets.

Other income (deductions) decreased \$144.8 million or 85% in 2001 as a result of the pre-tax \$182.5 million gain that was recognized in 2000 for the sale of the natural gas retail distribution operations, partially offset by the 2001 recognition of a receivable for insurance claims under the Company's business interruption policy related to deregulation (see Issues and Financial Risks - Other Matters), and costs associated with the elimination of certain compensation programs in 2000. Other income (deductions) increased \$156.6 million in 2000 as a result of the \$182.5 million gain, partially offset by costs as described above, property donations, stock compensation expense, and the November 1999 transfer of the Company's ownership interest in the assets and liabilities of MVE, Inc. to Plaza Building, Inc., which is another wholly-owned subsidiary of DPL.

Interest expense decreased 14% and 11% in 2001 and 2000, respectively, primarily as a result of higher capitalized interest.

Pursuant to deregulation legislation enacted in Ohio and the Order issued in September 2000 by the PUCO, the Company discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71." (See Note 4 to the Consolidated Financial Statements.)

The cumulative effect of an accounting change reflects the Company's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). SFAS No. 133 requires that all derivatives

be recognized as either assets or liabilities in the consolidated balance sheet and be measured at fair value, and changes in the fair value be recorded in earnings, unless they are designated as hedges of an underlying transaction.

Construction Program and Financing

Construction additions are expected to approximate \$133 million in 2002, and were \$164 million in 2001 and \$125 million in 2000. The capital program includes environmental compliance, which is expected to approximate \$64 million in 2002, and was \$58 and \$15 million in 2001 and 2000, respectively.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery. The Company expects to finance its construction program in 2002 and 2003 with internal funds.

During 2001, investing cash flows included a cash payment of \$90.9 million for income taxes associated with the tax gain on the sale of the natural gas retail distribution operations that occurred in October 2000.

DPL and its subsidiaries have \$200 million available through revolving credit agreements with a consortium of banks. Facility fees are approximately \$0.3 million per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the commercial paper program. The Company had no borrowings outstanding under these credit agreements at December 31, 2001 and 2000. The Company also has \$75.0 million available in short-term informal lines of credit. The commitment fees are not material. The Company had no borrowings outstanding under these informal lines and no outstanding commercial paper balances at December 31, 2001 and 2000.

Issuance of additional amounts of first mortgage bonds by the Company is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans. The Company currently has sufficient capacity to issue first mortgage bonds to satisfy its requirements in connection with the financing of its construction and refinancing programs during the five-year period 2002-2006.

At year-end 2001, the Company's senior debt credit ratings were as follows:

| | |
|---------------------------------|------|
| Standard & Poor's Corp..... | BBB+ |
| Moody's Investors Service | A2 |

Market Risk

The carrying value of the Company's debt was \$668.1 million at December 31, 2001, consisting of the Company's first mortgage bonds and guaranteed air quality development obligations. The fair value of this debt was \$678.8 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table presents the principal cash repayments and related weighted average interest rates by maturity date for long-term, fixed-rate debt at December 31, 2001.

| Expected Maturity Date | Long-term Debt | |
|------------------------|-------------------------|--------------|
| | Amount (\$ in millions) | Average Rate |
| 2002 | \$ 1.1 | 7.4% |
| 2003 | 1.1 | 7.4% |
| 2004 | 1.1 | 7.4% |
| 2005 | 1.1 | 7.4% |
| 2006 | 1.1 | 7.4% |
| Thereafter | <u>662.6</u> | 7.5% |
| Total | <u>\$668.1</u> | 7.5% |
| Fair Value | <u>\$678.8</u> | |

Because the long-term debt is at a fixed rate, the primary market risk to the Company would be short-term interest rate risk. At December 31, 2001, the Company had no short-term debt outstanding, and therefore, no exposure to short-term interest rate risk.

The Company's financial results are impacted by changes in electricity, coal, and gas commodity prices. Ten percent of the Company's expected 2002 revenues are from spot energy sales in the wholesale market and sales of peaking capacity. Fuel and purchased power costs represented 39% of total operating costs in 2001. The Company has contracted for 95% of its total coal needs for 2002. A 2% change in overall fuel costs would result in a \$3.5 million change in net income.

Issues and Financial Risks

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond the Company's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules, and adverse economic conditions.

Electric Restructuring Legislation

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers starting January 1, 2001. Under the legislation, electric generation, aggregation, power marketing and power brokerage services supplied to retail customers in Ohio are deemed competitive and are not subject to supervision and regulation by the PUCO. As required by the legislation, the Company filed its transition plan at the PUCO on December 20, 1999. The Company received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time the Company's generation assets will no longer be subject to Ohio regulation and will be able to sell all capacity in the open energy markets. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million; rate certainty for the three year period for customers that continue to purchase power from the Company; guaranteed rates for a six-year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its growth initiatives without regulatory restrictions.

In 1996 and 1997, the Federal Energy Regulatory Commission ("FERC") issued orders requiring all electric utilities to file open-access transmission service tariffs. The Company's resulting tariff case proceedings with FERC staff and intervenors in 1997 and 1998 culminated in 1999 with the FERC issuing an Order approving the Company's settlement with no material adverse effect to the Company. On October 16, 2000 the Company filed with the FERC to join the Alliance Regional Transmission Organization ("Alliance RTO"). On December 19, 2001 the FERC issued an Order that did not approve the Alliance RTO as a stand-alone regional transmission organization. As of December 31, 2001, the Company had invested approximately \$6 million in its efforts to join the Alliance RTO. The Company is exploring its operational and financial options as a result of the FERC Order. The FERC recognized in its Order that substantial losses were incurred to establish the Alliance RTO and that it would consider proposals for rate recovery of prudently incurred costs.

Sale of Gas Operations

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of tax), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance DPL's regional generation expansion and reduce outstanding short-term debt.

Environmental

In November 1999, the United States Environmental Protection Agency ("USEPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners Cincinnati Gas & Electric Company (Beckjord 6) and Columbus Southern Power Company (Conesville 4) and co-owned by the Company were referenced in these actions.

Numerous northeast states have filed complaints or have indicated that they will be joining the USEPA's action against the partners. The Company was not identified in the NOV's, civil complaints or state actions. In December 2000, Cincinnati Gas & Electric Company announced that it had reached an Agreement in Principle with the USEPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing. The outcome of these claims or the impact, if any, on the

Company has not been determined. In June 2000, the USEPA issued a NOV to DP&L-operated J.M. Stuart Station (co-owned by DP&L, Cincinnati Gas & Electric Company, and Columbus Southern Power Company) for alleged violations of the CAA. The NOV contained allegations consistent with NOV's and complaints that the USEPA had recently brought against numerous other coal-fired utilities in the Midwest. The Company will vigorously challenge the NOV. At this time, the outcome of these claims or the impact, if any, on the Company is unknown.

The United States and Ohio EPA's have notified numerous parties, including the Company, that they are considered Potentially Responsible Parties ("PRP's") for clean up of three hazardous waste sites in Ohio. In September 2001, the Court entered and finalized the Company's settlements with the USEPA for the first site. The Company also settled with the PRP group for the site. These settlements fully resolve the Company's liability for this site and did not have a material effect on the Company's financial position, earnings, or cash flow. The Ohio EPA has not provided an estimated cost for the second site. In October 2000, the PRP group at the second site brought an action against the Company and numerous other parties to recover a portion of the clean-up costs. The Company will vigorously challenge this action. In January 2002, the Company and seventy-five other parties received notification from the USEPA that they might be PRP's for clean up of hazardous substances at a third site. The available information does not demonstrate that the Company contributed any hazardous substances to the site. The Company will vigorously challenge this action. The final resolution of these matters are not expected to have a material effect on the Company's financial position, earnings, or cash flow.

In September 1998, the USEPA issued a final rule requiring states to modify their State Implementation Plans ("SIP's") under the CAA. The modified SIP's are likely to result in further Nitrogen Oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million, of which \$94 million remains to be expended by May 2004. Industry groups and others appealed the rules in the United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rules an additional year, until May 31, 2004. In December 1999, the USEPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. In January 2002, the USEPA announced that reductions required under the CAA Section 126 rulemaking will be extended until May 31, 2004 to be consistent with the NOx SIP rule. The Company's current NOx reduction strategy to meet the SIP call is expected to satisfy the rulemaking reduction requirements.

On December 14, 2000, the USEPA issued a determination that coal- and oil-fired electric generating units should be regulated for emissions of mercury and hazardous air pollutants. The USEPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

In March 2002, the United States Court of Appeals for the District of Columbia upheld the USEPA's National Ambient Air Quality Standards for ozone and fine particles. The USEPA is conducting a rulemaking regarding these standards. The impact of these standards and rules can not be determined at this time.

Other Matters

A wholly-owned captive subsidiary of DPL provides insurance coverage solely to DPL including, among other coverages, business interruption and specific risk coverage with respect to environmental law and electric deregulation. "Insurance Claims and Costs" on DPL's Consolidated Balance Sheet includes insurance reserves of approximately \$87 million for this coverage based on actuarial methods and loss experience data. Such reserves are determined, in the aggregate, based on a reasonable estimation of probable insured events occurring. There is uncertainty associated with the loss estimates, and actual results could differ from the estimates. Modification of these loss estimates based on experience and changed circumstances are reflected in the period in which the estimate is reevaluated. As the outcome of electric deregulation becomes known during the three-year regulatory transition period ending December 31, 2003, policy payments from the captive subsidiary to DP&L, receivables for insurance claims for DP&L, or the release of the appropriate reserves will occur and be reflected in income. In 2001, a \$29 million receivable was recognized by DP&L for insurance claims under its business interruption policy.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") that addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective for the Company as of January 1, 2003. The Company has not yet determined the extent to which its financial condition or results of operations may be affected by the implementation of this accounting standard.

Item 7A - Quantitative and Qualitative Disclosures about Market Risk

Information relating to Market Risk is contained in Item 7 – Management's Discussion and Analysis (page 19).

Item 8 - Financial Statements and Supplementary Data

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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|------------------------|------------------------|
| | 2001 | 2000 | 1999 |
| Revenues | | | |
| Electric..... | \$1,188.2 | \$1,110.1 | \$1,058.3 |
| Gas (Note 3)..... | <u>-</u> | <u>183.8</u> | <u>215.0</u> |
| Total revenues | <u>1,188.2</u> | <u>1,293.9</u> | <u>1,273.3</u> |
| Expenses | | | |
| Fuel and purchased power | 349.9 | 286.1 | 263.2 |
| Gas purchased for resale (Note 3)..... | - | 116.9 | 129.9 |
| Operation and maintenance..... | 164.3 | 191.1 | 203.9 |
| Depreciation and amortization | 116.0 | 130.3 | 134.0 |
| Amortization of regulatory assets, net (Note 4) | 46.9 | 16.3 | 24.9 |
| General taxes | <u>98.7</u> | <u>128.4</u> | <u>136.4</u> |
| Total expenses | <u>775.8</u> | <u>869.1</u> | <u>892.3</u> |
| Operating Income | 412.4 | 424.8 | 381.0 |
| Other income (deductions) (Note 3)..... | 25.9 | 170.7 | 14.1 |
| Interest expense | <u>(62.6)</u> | <u>(72.7)</u> | <u>(81.5)</u> |
| Income Before Income Taxes, Extraordinary Item, and Cumulative Effect of Accounting Change | 375.7 | 522.8 | 313.6 |
| Income taxes | <u>141.4</u> | <u>182.6</u> | <u>121.1</u> |
| Income Before Extraordinary Item and Cumulative Effect of Accounting Change | 234.3 | 340.2 | 192.5 |
| Extraordinary item, net of tax | - | 41.4 | - |
| Cumulative effect of accounting change, net of tax..... | <u>1.0</u> | <u>-</u> | <u>-</u> |
| Net Income | 235.3 | 298.8 | 192.5 |
| Preferred dividends..... | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| Earnings on Common Stock | \$ <u>234.4</u> | \$ <u>297.9</u> | \$ <u>191.6</u> |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 2001 | 2000 | 1999 |
| Operating Activities | | | |
| Cash received from utility customers | \$1,185.6 | \$1,297.3 | \$1,280.1 |
| Other operating cash receipts | 64.5 | 22.7 | 30.0 |
| Cash paid for: | | | |
| Fuel and purchased power | (365.3) | (269.9) | (263.8) |
| Purchased gas (Note 3) | (51.5) | (156.5) | (135.9) |
| Operation and maintenance labor | (72.1) | (81.1) | (72.8) |
| Nonlabor operating expenditures | (99.5) | (165.9) | (113.8) |
| Interest | (57.4) | (69.2) | (79.2) |
| Income taxes | (132.4) | (152.6) | (106.6) |
| General taxes | (138.7) | (139.3) | (136.7) |
| Net cash provided by operating activities | <u>333.2</u> | <u>285.5</u> | <u>401.3</u> |
| Investing Activities | | | |
| Capital expenditures | (161.5) | (109.9) | (80.3) |
| Purchases of available-for-sale financial assets | - | - | (276.9) |
| Sales of available-for-sale financial assets | - | - | 61.1 |
| Proceeds from sale of natural gas retail distribution operations, net (Note 3) | <u>(90.9)</u> | <u>468.2</u> | <u>-</u> |
| Net cash provided by (used for) investing activities | <u>(252.4)</u> | <u>358.3</u> | <u>(296.1)</u> |
| Financing Activities | | | |
| Dividends paid on common stock | (82.4) | (606.4) | (130.3) |
| Issuance (retirement) of short-term debt | - | (123.0) | 112.2 |
| Parent company capital contribution | - | - | 245.0 |
| Retirement of long-term debt | (0.4) | (0.4) | (237.6) |
| Dividends paid on preferred stock | <u>(0.9)</u> | <u>(0.9)</u> | <u>(0.9)</u> |
| Net cash used for financing activities | <u>(83.7)</u> | <u>(730.7)</u> | <u>(11.6)</u> |
| Cash and temporary cash investments-- | | | |
| Net change | (2.9) | (86.9) | 93.6 |
| Balance at beginning of period | <u>8.6</u> | <u>95.5</u> | <u>1.9</u> |
| Balance at end of period | <u>\$ 5.7</u> | <u>\$ 8.6</u> | <u>\$ 95.5</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

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CONSOLIDATED BALANCE SHEET

| \$ in millions | At December 31, | |
|--|------------------|------------------|
| | 2001 | 2000 |
| Assets | | |
| Property | | |
| Property | \$3,684.4 | \$3,522.6 |
| Accumulated depreciation and amortization | <u>(1,670.0)</u> | <u>(1,560.4)</u> |
| Net property | <u>2,014.4</u> | <u>1,962.2</u> |
| Current Assets | | |
| Cash and temporary cash investments | 5.7 | 8.6 |
| Accounts receivable, less provision for uncollectible accounts of \$12.4 and \$6.8 respectively | 179.1 | 189.7 |
| Inventories, at average cost | 61.3 | 45.7 |
| Prepaid taxes | 54.8 | 65.4 |
| Other | <u>49.8</u> | <u>35.5</u> |
| Total current assets | <u>350.7</u> | <u>344.9</u> |
| Other Assets | | |
| Income taxes recoverable through future revenues | 39.2 | 49.4 |
| Other regulatory assets | 99.7 | 146.4 |
| Trust assets | 141.1 | 171.8 |
| Other assets | <u>75.8</u> | <u>76.4</u> |
| Total other assets | <u>355.8</u> | <u>444.0</u> |
| Total Assets | <u>\$2,720.9</u> | <u>\$2,751.1</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

(continued)

| \$ in millions | At December 31, | |
|--|-------------------------|-------------------------|
| | 2001 | 2000 |
| Capitalization and Liabilities | | |
| Capitalization | | |
| Common shareholder's equity | | |
| Common stock | \$ 0.4 | \$ 0.4 |
| Other paid-in capital | 771.6 | 769.8 |
| Accumulated other comprehensive income | 15.6 | 37.3 |
| Earnings reinvested in the business | <u>357.3</u> | <u>205.4</u> |
| Total common shareholder's equity | 1,144.9 | 1,012.9 |
| Preferred stock | 22.9 | 22.9 |
| Long-term debt | <u>666.6</u> | <u>666.5</u> |
| Total capitalization | <u>1,834.4</u> | <u>1,702.3</u> |
| Current Liabilities | | |
| Accounts payable | 133.5 | 103.9 |
| Accrued taxes | 105.6 | 220.0 |
| Accrued interest | 19.0 | 19.1 |
| Other | <u>21.6</u> | <u>14.3</u> |
| Total current liabilities | <u>279.7</u> | <u>357.3</u> |
| Deferred Credits And Other | | |
| Deferred taxes | 397.0 | 429.9 |
| Unamortized investment tax credit | 58.0 | 60.2 |
| Trust obligations | 102.7 | 113.6 |
| Other | <u>49.1</u> | <u>87.8</u> |
| Total deferred credits and other | <u>606.8</u> | <u>691.5</u> |
| Total Capitalization and Liabilities | <u>\$2,720.9</u> | <u>\$2,751.1</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

| \$ in millions | Common Stock (a) | | Other Paid-In Capital | Accumulated Other Comprehensive Income | Earnings Reinvested in the Business | Total |
|---|--------------------|--------|-----------------------|--|-------------------------------------|-----------|
| | Outstanding Shares | Amount | | | | |
| 1999: | | | | | | |
| Beginning balance | 41,172,173 | \$0.4 | \$788.2 | \$33.6 | \$450.8 | \$1,273.0 |
| Comprehensive income: | | | | | | |
| Net income | | | | | 192.5 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 4.1 | | |
| Total comprehensive income | | | | | | 196.6 |
| Common stock dividends | | | | | (129.7) | (129.7) |
| Dividend-in-kind (c) (Note 1) | | | | (24.1) | | (24.1) |
| Dividend-in-kind (Note 1) | | | (263.6) | | 1.4 | (262.2) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 245.0 | | | 245.0 |
| Other | | | 0.1 | | (0.2) | (0.1) |
| Ending balance | 41,172,173 | 0.4 | 769.7 | 13.6 | 513.9 | 1,297.6 |
| 2000: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 298.8 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 23.7 | | |
| Total comprehensive income | | | | | | 322.5 |
| Common stock dividends | | | | | (606.4) | (606.4) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Other | | | 0.1 | | | 0.1 |
| Ending balance | 41,172,173 | 0.4 | 769.8 | 37.3 | 205.4 | 1,012.9 |
| 2001: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 235.3 | |
| Unrealized losses, net of reclassification adjustments, after tax (b) | | | | (21.6) | | |
| Total comprehensive income | | | | | | 213.7 |
| Common stock dividends | | | | | (82.4) | (82.4) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 1.7 | | | 1.7 |
| Other | | | 0.1 | (0.1) | (0.1) | (0.1) |
| Ending balance | 41,172,173 | \$0.4 | \$771.6 | \$15.6 | \$357.3 | \$1,144.9 |

(a) 50,000,000 shares authorized.

(b) Net of taxes of \$2.2, \$12.8, and \$8.0 million in 1999, 2000, and 2001, respectively.

(c) Net of taxes of \$13.1 million in 1999.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**1. Summary of Significant Accounting Policies**

The Dayton Power and Light Company ("DP&L" or "the Company") is a wholly-owned subsidiary of DPL Inc. ("DPL"). The accounts of the Company and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. In 1999, the Company transferred its ownership interests in the assets and liabilities of MacGregor Park, Inc. and DP&L Community Urban Redevelopment Corporation to DPL and transferred its ownership interests in the assets and liabilities of MVE, Inc. to Plaza Building Inc., which is another wholly-owned subsidiary of DPL, via dividends-in-kind and a repayment of inter-company debt. Total assets and liabilities transferred were \$470.1 million and \$19.0 million, respectively.

These statements are presented in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions related to future events. Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation. The consolidated financial statements principally reflect the results of operations and financial condition of the Company. DPL and its other wholly-owned subsidiaries provide certain administrative services to the Company. These costs were \$5.7 million in 2001, \$6.1 million in 2000, and \$12.5 million in 1999. The primary service provided by the subsidiaries is insurance. The cost of service is either specifically identified with the Company or allocated based upon the relationships of payroll, revenue and/or property. Management considers the cost of service as reasonable and what would have been incurred on a stand-alone basis.

Revenues and Fuel

For periods prior to January 1, 2001, revenues include amounts charged to customers through fuel and gas recovery clauses, which were adjusted periodically for changes in such costs. Related costs that were recoverable or refundable in future periods were deferred along with the related income tax effects. As of February 2000, the Company's Electric Fuel Component ("EFC") was fixed at 1.30¢ per kilowatt-hour through the end of the year and the deferral of over/under-recovered fuel costs was no longer permitted. All remaining deferred fuel balances were amortized to expense in 2000. All gas deferred amounts were included in the sale of the natural gas retail distribution operations (see Note 3). Beginning January 1, 2001, the EFC rate of 1.30¢ became part of the base generation rate. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

The Company records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of \$55.4 million in 2001 and \$53.5 million in 2000.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

For the majority of the depreciable property, when a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.2%, 3.5%, and 3.6% for 2001, 2000, and 1999, respectively.

The Company leases office equipment and office space under operating leases with varying terms. Future rental payments under these operating leases at December 31, 2001 are not material.

Repairs and Maintenance

Costs associated with all planned major work and maintenance activities, primarily power plant outages, are recognized at the time the work is performed. These costs are either capitalized or expensed based on Company defined criteria. Outage costs include labor, materials and supplies and outside services required to maintain the Company's equipment and facilities.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. For rate-regulated business units, additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits previously deferred are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

The temporary cash investments consist of liquid investments with an original maturity of three months or less.

Financial Derivatives

The Company adopted the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging activity," as amended ("SFAS No. 133") as of January 1, 2001. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and be measured at fair value, and changes in the fair value be recorded in earnings, unless they are designated as a cash flow hedge of a forecasted transaction. As a result of adopting this accounting standard, the Company recorded a cumulative effect of accounting change of \$1.0 million in income net of tax.

The Company uses forward and option purchase contracts as a hedge against the risk of changes in cash flows associated with expected electricity purchases. These purchases are required to meet full load requirements during times of peak demand or during planned and unplanned generation facility outages. The Company also holds forward sales contracts that hedge against the risk of changes in cash flows associated with power sales during periods of projected generation facility availability. Prior to July 1, 2001, the Company recorded the fair value of all these contracts as "Other assets" or "Other liabilities" on the Consolidated Balance Sheet with an offset to "Accumulated other comprehensive income," which is recognized as earnings in the month of physical receipt or delivery of power. In June 2001, the FASB concluded that electric utilities could apply the normal purchases and sales exception for option-type contracts and forward contracts in electricity subject to specific criteria for the power buyers and sellers. Accordingly, the Company began to apply the normal purchase and sales exception as defined in SFAS No. 133 as of July 1, 2001 and currently accounts for these contracts upon settlement. This change did not have a material impact on the Company's financial position or results of operations.

The Company also holds emission allowance options through 2004 that are classified as derivatives not subject to hedge accounting. The fair value of these contracts is reflected as "Other assets" or "Other liabilities" on the Consolidated Balance Sheet and changes in fair value are recorded as "Other income (deductions)" on the Consolidated Statement of Results of Operations. The impact on net income was immaterial during 2001.

2. Recent Accounting Standard

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") that addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective for the Company as of January 1, 2003. The Company has not yet determined the extent to which its financial condition or results of operations may be affected by the implementation of this accounting standard.

3. Sale of the Gas Business

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of taxes), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance DPL's regional generation expansion and reduce outstanding short-term debt.

4. Regulatory Matters

The Company applies the provisions FASB Statement No. 71, "Accounting for the Effects of Certain Types of Regulation" to its regulated operations. This accounting standard provides for the deferral of costs authorized for future recovery by regulators.

Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| \$ in million | At December 31, | |
|--|-----------------|----------------|
| | 2001 | 2000 |
| Regulatory transition costs (a) | \$ 97.2 | \$144.8 |
| Income taxes recoverable through future revenues (b) | 39.2 | 49.4 |
| Other costs (b) | <u>2.5</u> | <u>1.6</u> |
| Total | <u>\$138.9</u> | <u>\$195.8</u> |

(a) During 1999, legislation was enacted in Ohio, which restructures the state's electric utility industry ("the Legislation"). Beginning in 2001, electric generation, aggregation, power marketing and power brokerage services applied to Ohio retail customers are not subject to regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the Legislation, the Company filed its transition plan ("the Plan") at the PUCO in 1999, which included an application for the Company to receive transition revenues to recover regulatory assets and other potentially stranded costs. Final PUCO approval of the Plan was received in September 2000.

The Plan, which began in January 2001, provides for a three-year transition period ("the Transition Period") ending December 31, 2003, at which time the Company's generation business unit will be fully merchant. As a result of the PUCO final approval of the transition plan and tariff schedules, the application of SFAS No. 71 was discontinued for generation-related assets. Transmission and distribution services, which continue to be regulated based on PUCO-approved cost based rates, continue to apply SFAS No. 71. The Plan, as approved, provides for the recovery of a portion of the Company's transition costs, including generation-related regulatory assets, during the Transition Period. Based on the Company's assessment of recoveries of regulatory assets during the Transition Period, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with FASB Statement of Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71" and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate primarily to the Company's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

5. Income Taxes

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For the years ended
December 31,

| \$ in millions | 2001 | 2000 | 1999 |
|---|----------------|----------------|----------------|
| Computation of Tax Expense | | | |
| Federal income tax (a) | \$139.6 | \$183.0 | \$109.7 |
| Increases (decreases) in tax from -- | | | |
| Regulatory assets | - | - | 4.4 |
| Depreciation..... | 4.5 | 6.5 | 13.1 |
| Investment tax credit amortized | (2.3) | (6.1) | (3.0) |
| Other, net..... | <u>(0.4)</u> | <u>(0.8)</u> | <u>(3.1)</u> |
| Total tax expense | <u>\$141.4</u> | <u>\$182.6</u> | <u>\$121.1</u> |
| Components of Tax Expense | | | |
| Taxes currently payable | \$146.9 | \$243.0 | \$107.2 |
| Deferred taxes-- | | | |
| Regulatory assets | (12.5) | (13.3) | (5.8) |
| Liberalized depreciation and amortization | (5.7) | (29.3) | 5.8 |
| Fuel and gas costs..... | 1.1 | (7.1) | 9.2 |
| Other..... | 13.9 | (4.6) | 7.7 |
| Deferred investment tax credit, net | <u>(2.3)</u> | <u>(6.1)</u> | <u>(3.0)</u> |
| Total tax expense | <u>\$141.4</u> | <u>\$182.6</u> | <u>\$121.1</u> |

(a) The statutory rate of 35% was applied to pre-tax income.

Components of Deferred Tax Assets and Liabilities

| \$ in millions | At December 31, 2001 | 2000 |
|----------------------------------|-------------------------|------------------|
| Non-Current Liabilities | | |
| Depreciation/property basis..... | \$(392.8) | \$(403.8) |
| Income taxes recoverable | (14.4) | (17.3) |
| Regulatory assets..... | (38.6) | (50.6) |
| Investment tax credit | 20.7 | 21.1 |
| Other | <u>28.1</u> | <u>20.7</u> |
| Net non-current liability | <u>\$(397.0)</u> | <u>\$(429.9)</u> |
| Net Current Asset | <u>\$ 1.3</u> | <u>\$ 11.1</u> |

6. Pensions and Postretirement Benefits

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Pensions

Substantially all Company employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age, compensation and year of retirement. The plans are funded in amounts actuarially determined to provide for these benefits.

The following tables set forth the plans' obligations, assets and amounts recorded in Other assets on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2001 | 2000 |
|---|----------------|----------------|
| <u>Change in Projected Benefit Obligation</u> | | |
| Benefit obligation, January 1 | \$273.7 | \$ 272.8 |
| Service cost | 4.3 | 5.1 |
| Interest cost | 17.3 | 18.9 |
| Amendments | 0.2 | 21.1 |
| Special termination benefit (a) | 5.3 | - |
| Curtailment (b) | - | (3.1) |
| Actuarial (gain) loss | (13.4) | (26.6) |
| Benefits paid | <u>(16.2)</u> | <u>(14.5)</u> |
| Benefit obligation, December 31 | <u>271.2</u> | <u>273.7</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 361.3 | 421.3 |
| Actual return on plan assets | (63.8) | (45.5) |
| Benefits paid | <u>(16.2)</u> | <u>(14.5)</u> |
| Fair value of plan assets, December 31 | <u>281.3</u> | <u>361.3</u> |
| Plan assets in excess of projected benefit obligation | 10.1 | 87.6 |
| Unrecognized actuarial (gain) loss | 44.1 | (45.8) |
| Unamortized prior service cost | <u>18.6</u> | <u>23.2</u> |
| Net pension assets | <u>\$ 72.8</u> | <u>\$ 65.0</u> |

Assumptions used in determining the projected benefit obligation were as follows:

| | 2001 | 2000 | 1999 |
|--------------------------------------|-------|--------|-------|
| Discount rate for obligations | 7.25% | 7.25 % | 6.25% |
| Expected return on plan assets | 9.00% | 9.00 % | 7.50% |
| Average salary increases | 4.00% | 5.00 % | 5.00% |

The following table sets forth the components of pension expense (portions of which were capitalized):

| \$ in millions | 2001 | 2000 | 1999 |
|--|----------|-----------|----------|
| Expense for Year | | | |
| Service cost | \$ 4.3 | \$ 5.1 | \$ 5.9 |
| Interest cost | 17.3 | 18.9 | 16.2 |
| Expected return on plan assets | (32.9) | (33.9) | (25.3) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (6.6) | (5.0) | (0.5) |
| Prior service cost | 3.5 | 4.2 | 2.1 |
| Transition obligation..... | - | (2.8) | (4.3) |
| Net pension cost | (14.4) | (13.5) | (5.9) |
| Special termination benefit (a) | 5.3 | - | - |
| Curtailment (a) | 1.4 | 2.1 | - |
| Net pension cost after special termination benefit and curtailment.. | \$ (7.7) | \$ (11.4) | \$ (5.9) |

(a) The special termination benefit was recognized as a result of 63 employees who participated in a voluntary early retirement program and retired as of July 1, 2001.

(b) The curtailment in 2001 was recognized as a result of a non-union workforce reduction program that was completed in November 2001. The curtailment in 2000 was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. The Company has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust.

The following tables set forth the accumulated postretirement benefit obligation ("APBO"), assets and funded status amounts recorded in Other Deferred Credits on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2001 | 2000 |
|---------------------------------------|-------------|-------------|
| Change in APBO | | |
| Benefit obligation, January 1 | \$30.8 | \$ 32.4 |
| Interest cost | 2.2 | 2.2 |
| Curtailment (a) | - | (0.1) |
| Actuarial (gain) loss | 2.6 | (1.0) |
| Benefits paid | (2.6) | (2.7) |
| Benefit obligation, December 31 | <u>33.0</u> | <u>30.8</u> |

\$ in millions

2001

2000

000250

Change in Plan Assets

| | | |
|--|---------|---------|
| Fair value of plan assets, January 1 | 10.9 | 10.9 |
| Actual return on plan assets | 0.9 | 1.0 |
| Company contributions | 1.8 | 1.7 |
| Benefits paid | (2.7) | (2.7) |
| Fair value of plan assets, December 31 | 10.9 | 10.9 |
| APBO in excess of plan assets..... | 22.1 | 19.9 |
| Unamortized transition obligation..... | (3.9) | (6.9) |
| Actuarial gain | 17.6 | 21.8 |
| Accrued postretirement benefit liability | \$ 35.8 | \$ 34.8 |

Assumptions used in determining the projected benefit obligation were as follows:

| | 2001 | 2000 | 1999 |
|-------------------------------------|-------|-------|-------|
| Discount rate for obligations | 7.25% | 7.25% | 6.25% |
| Expected return on plan assets . | 7.00% | 7.00% | 5.70% |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.0% and 7.5% for 2001 and 2000, respectively, and decreases to 5.0% by 2007. A one percentage point change in the assumed health care trend rate would affect the service and interest cost by \$0.1 million. A one percentage point increase in the assumed health care trend rate would increase the postretirement benefit obligation by \$1.9 million; and a one percentage point decrease would decrease the benefit obligation by \$1.7 million.

The following table sets forth the components of postretirement benefit expense:

| \$ in millions | 2001 | 2000 | 1999 |
|--|--------|--------|--------|
| Expense for Year | | | |
| Interest cost..... | \$ 2.2 | \$ 2.2 | \$ 2.0 |
| Expected return on plan assets..... | (0.7) | (0.7) | (0.7) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss..... | (1.6) | (2.2) | (2.4) |
| Transition obligation | 2.9 | 2.9 | 3.0 |
| Postretirement benefit cost | 2.8 | 2.2 | 1.9 |
| Curtailment (a) | - | 0.1 | - |
| Postretirement benefit cost after curtailment... | \$ 2.8 | \$ 2.3 | \$ 1.9 |

(a) The curtailment was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

7. Preferred Stock**000251**

\$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series | Rate | Current Redemption Price | Current Shares Outstanding | Par Value At December 31, 2001 and 2000 (\$ in millions) |
|--------|-------|--------------------------------|----------------------------------|---|
| A | 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B | 3.75% | \$103.00 | 69,398 | 7.0 |
| C | 3.90% | \$101.00 | <u>65,830</u> | <u>6.6</u> |
| Total | | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of the Company at the per share prices indicated, plus cumulative accrued dividends. In August 2000, the Company announced that it would redeem the outstanding shares in conjunction with its corporate separation plan required by the Ohio deregulation legislation. Current market conditions and regulatory requirements regarding legal separation of the electric operations do not justify a redemption at this time. Over the remainder of the deregulation transition period, the Company will continue to evaluate whether redemption of the preferred stock is warranted.

8. Long-term Debt

| \$ in millions | At December 31, | |
|--|-----------------------|----------------|
| | 2001 | 2000 |
| First mortgage bonds maturing 2024-2026 8.01% (a) | \$446.0 | \$446.0 |
| Pollution control series maturing through 2027 6.43% (a) | <u>105.6</u> | <u>106.0</u> |
| | 551.6 | 552.0 |
| Guarantee of Air Quality Development Obligations | | |
| 6.10% Series Due 2030 | 110.0 | 110.0 |
| Obligation for capital lease | 5.4 | 4.9 |
| Unamortized debt discount and premium (net)..... | <u>(0.4)</u> | <u>(0.4)</u> |
| Total | <u>\$666.6</u> | <u>\$666.5</u> |

(a) *Weighted average interest rate for 2001 and 2000.*

The amounts of maturities and mandatory redemptions for first mortgage bonds, notes, and the capital lease are \$1.1 million per year in 2002 through 2006. Substantially all property of the Company is subject to the mortgage lien securing the first mortgage bonds.

9. Notes Payable and Compensating Balances

DPL and its subsidiaries have \$200 million available through revolving credit agreements with a consortium of banks. Facility fees are approximately \$0.3 million per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the commercial paper program. At December 31, 2001 and 2000, DPL had no outstanding borrowings under these credit agreements.

The Company also has \$75.0 million available in short-term informal lines of credit. The commitment fees are immaterial. Borrowings at December 31, 2001 and 2000 were zero.

The Company had no outstanding commercial paper balances at December 31, 2001 and 2000.

10. Employee Stock Plans

In 2000, DPL's Board of Directors adopted and its shareholders approved the DPL Inc. Stock Option Plan. On February 1, 2000, options were granted at an exercise price of \$21.00, which was above the market price of \$19.06 per share on that date. The exercise price of options granted after that date approximated the market price of the stock on the date of grant. Options granted represent three-year awards, vest five years from the grant date, and expire ten years from the grant date. At December 31, 2001, there were 767,500 options available for grant.

Summarized stock option activity was as follows:

| | 2001 | 2000 |
|---|-----------|-----------|
| Options granted at beginning of year | 7,610,000 | - |
| Granted | 127,500 | 7,610,000 |
| Exercised | - | - |
| Forfeited | (505,000) | - |
| Outstanding at year-end | 7,232,500 | 7,610,000 |
| Exercisable at year-end | - | - |
| Weighted average option prices per share: | | |
| At beginning of year | \$ 22.10 | \$ - |
| Granted | 27.17 | 22.10 |
| Exercised | - | - |
| Forfeited | 24.97 | - |
| Outstanding at year-end | 21.99 | 22.10 |
| Exercisable at year-end | \$ - | \$ - |

The weighted-average fair value of options granted was \$3.47 and \$3.65 per share in 2001 and 2000, respectively. The fair values of options were estimated as of the date of grant using a Black-Scholes option pricing model utilizing the following assumptions:

| | 2001 | 2000 |
|-------------------------|-------|-------|
| Volatility | 18.5% | 18.5% |
| Expected life (years) | 5.1 | 5.1 |
| Dividend yield rate | 3.6% | 3.5% |
| Risk-free interest rate | 4.5% | 6.8% |

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, compensation expense of \$2.3 million was recorded in 2001 and in 2000 for grants issued prior to the measurement date for accounting purposes. If the Company had used a fair-value method of accounting for stock-based compensation cost, reported earnings on common stock for 2001 and 2000 would have been \$232.8 and \$296.4 million, respectively.

The following table reflects information about stock options outstanding at December 31, 2001:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | | Options Exercisable | |
|--------------------------|--------------------|--|---------------------------------|---------------------|---------------------------------|
| | | Weighted-Average Contractual Life (in years) | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| \$21.00-\$29.63 | 7,232,500 | 8.2 | \$21.99 | - | - |

11. Ownership of Facilities

The Company and other Ohio utilities have undivided ownership interests in seven electric generating facilities and numerous transmission facilities. Certain expenses, primarily fuel costs for the generating units, are allocable to the owners based on their energy usage. The remaining expenses, as well as investments in fuel inventory, plant materials and operating supplies, and capital additions, are allocated to the owners in accordance with their respective ownership interests. As of December 31, 2001, the Company had \$133 million of construction in progress at such facilities. The Company's share of the operating cost of such facilities is included in the Consolidated Statement of Results of Operations, and its share of the investment in the facilities is included in the Consolidated Balance Sheet.

The following table presents the Company's undivided ownership interest in such facilities at December 31, 2001:

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| | Company Share | | Company Investment |
|---|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Beckjord Unit 6 | 50.0 | 210 | 57 |
| Conesville Unit 4 | 16.5 | 129 | 31 |
| East Bend Station | 31.0 | 186 | 154 |
| Killen Station | 67.0 | 418 | 381 |
| Miami Fort Units 7 & 8 | 36.0 | 360 | 129 |
| Stuart Station | 35.0 | 823 | 260 |
| Zimmer Station | 28.1 | 365 | 996 |
| Transmission (at varying percentages) | | | 86 |

12. Fair Value of Financial Instruments

| \$ in millions | Fair Value | At December 31, | | | | | | |
|---|------------|------------------|----------|------------------|------------|---------|--------|----------|
| | | 2001 | | | Cost | 2000 | | |
| | | Gross Unrealized | | Gross Unrealized | | | | |
| | | Gains | Losses | | Fair Value | Gains | Losses | Cost |
| Assets | | | | | | | | |
| Available-for-sale equity securities... | \$ 95.3 | \$43.9 | \$(14.4) | \$65.8 | \$ 122.9 | \$ 58.2 | \$ - | \$ 64.7 |
| Held-to-maturity securities: | | | | | | | | |
| Debt securities (a)..... | 45.8 | - | (0.2) | 46.0 | \$ 50.2 | 0.8 | - | \$ 49.4 |
| Temporary cash investments..... | - | - | - | - | 11.0 | - | - | 11.0 |
| Total..... | \$141.1 | \$43.9 | \$(14.6) | \$111.8 | \$ 184.1 | \$ 59.0 | \$ - | \$ 125.1 |
| Liabilities (b) | | | | | | | | |
| Debt..... | \$678.8 | | | \$668.1 | \$ 661.8 | | | \$ 662.4 |

(a) Maturities range from 2002 to 2010.

(b) Includes current maturities.

Gross realized gains (losses) were \$0.9 and \$(6.2) million in 2001, \$0.1 and \$(0.5) million in 2000, and \$12.4 and \$(1.0) million in 1999, respectively.

13. Reconciliation of Net Income to Net Cash Provided by Operating Activities

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|---------|---------|
| | 2001 | 2000 | 1999 |
| Net income | \$235.3 | \$298.8 | \$192.5 |
| Adjustments: | | | |
| Depreciation and amortization..... | 116.0 | 130.3 | 134.0 |
| Noncash extraordinary item, net of tax..... | - | 41.4 | - |
| Gain on sale of natural gas retail distribution operations | - | (182.5) | - |
| Deferred income taxes..... | (5.5) | (60.5) | 13.9 |
| Other deferred credits | (49.6) | 22.5 | 3.7 |
| Amortization of regulatory assets, net..... | 46.9 | 16.3 | 25.8 |
| Operating expense provisions..... | (0.9) | 26.9 | (10.3) |
| Accounts receivable..... | 10.6 | (5.4) | 12.6 |
| Accounts payable..... | 24.4 | (36.7) | 24.8 |
| Accrued taxes payable..... | (13.5) | 63.5 | 3.3 |
| Inventory | (15.7) | (5.8) | 19.3 |
| Other..... | (14.8) | (23.3) | (18.3) |
| Net cash provided by operating activities | \$333.2 | \$285.5 | \$401.3 |

14. Business Segment Reporting

The Company provides electric services to 500,000 retail customers in West Central Ohio. The Company also sold and distributed natural gas until October 31, 2000, at which time the Company completed the sale of its natural gas retail distribution assets and certain liabilities (see Note 3).

In prior years, the Company had two reportable operating segments: Electric and Natural Gas. As a result of the sale of the natural gas retail distribution operations, the Electric segment is the remaining reportable operating segment. Assets and related costs associated with the Company's transmission and distribution and base load and peaking generation operations are managed and evaluated as a single operating segment.

| \$ in millions | 2001 | 2000 | 1999 |
|---|-----------|-----------|-----------|
| Net revenues: | | | |
| Electric | \$ 838.3 | \$ 824.0 | \$ 795.1 |
| Natural Gas | - | 66.9 | 85.1 |
| Total | \$ 838.3 | \$ 890.9 | \$ 880.2 |
| Operating income: | | | |
| Electric | \$ 415.1 | \$ 407.7 | \$ 352.7 |
| Natural Gas | - | 24.2 | 27.2 |
| Other (a) | (2.7) | (7.1) | 1.1 |
| Total operating income | 412.4 | 424.8 | 381.0 |
| Other income (deductions) | 25.9 | 170.7 | 14.1 |
| Interest expense | (62.6) | (72.7) | (81.5) |
| Income before income taxes, extraordinary item, and cumulative effect of accounting change | \$ 375.7 | \$ 522.8 | \$ 313.6 |
| Depreciation and amortization: | | | |
| Electric | \$ 116.0 | \$ 122.9 | \$ 125.9 |
| Natural Gas | - | 7.4 | 8.1 |
| Total | \$ 116.0 | \$ 130.3 | \$ 134.0 |
| Expenditures – construction additions: | | | |
| Electric | \$ 164.4 | \$ 117.8 | \$ 69.9 |
| Natural Gas | - | 7.1 | 9.6 |
| Total | \$ 164.4 | \$ 124.9 | \$ 79.5 |
| Assets | | | |
| Electric | \$2,546.6 | \$2,545.7 | \$2,584.0 |
| Natural Gas | - | - | 321.7 |
| Unallocated corporate assets | 174.3 | 205.4 | 247.8 |
| Total assets | \$2,720.9 | \$2,751.1 | \$3,153.5 |

(a) Includes unallocated corporate items.

SELECTED QUARTERLY INFORMATION (Unaudited)

| \$ in millions | March 31, | | June 30, | | September 30, | | December 31, | |
|---|-----------|---------|----------|---------|---------------|---------|--------------|---------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Utility service revenues | \$294.7 | \$361.0 | \$287.2 | \$293.9 | \$351.5 | \$337.2 | \$254.8 | \$301.8 |
| Income: before income taxes, extraordinary item, and cumulative effect of accounting change | 94.5 | 88.1 | 72.3 | 73.5 | 136.6 | 104.4 | 72.3 | 256.8 |
| Income: before extraordinary item and cumulative effect of accounting change | 56.5 | 56.1 | 45.5 | 47.1 | 85.5 | 67.1 | 46.8 | 169.9 |
| Net income | 57.5 | 56.1 | 45.5 | 47.1 | 85.5 | 25.7 | 46.8 | 169.9 |
| Earnings on common stock | 57.3 | 55.9 | 45.3 | 46.9 | 85.2 | 25.4 | 46.6 | 169.7 |
| Cash dividends paid | 8.1 | - | 57.3 | 102.5 | 17.0 | 87.1 | - | 416.8 |

FINANCIAL AND STATISTICAL SUMMARY (Unaudited)

| | | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|----|----------------|---------------|---------------|---------------|---------------|
| For the years ended December 31, | | | | | | |
| Utility service revenues (millions) | \$ | 1,188.2 | 1,293.9 | 1,273.3 | 1,284.2 | 1,254.4 |
| Earnings on common stock (millions)..... | \$ | 234.4 | 297.9 | 191.6 | 168.6 | 171.1 |
| Cash dividends paid (millions) | \$ | 82.4 | 606.4 | 130.3 | 238.8 | 118.5 |
| Electric sales (millions of kWh)— | | | | | | |
| Residential | | 4,909 | 4,816 | 4,725 | 4,790 | 4,788 |
| Commercial | | 3,618 | 3,539 | 3,390 | 3,518 | 3,408 |
| Industrial | | 4,568 | 4,851 | 4,876 | 4,655 | 4,749 |
| Other retail | | 1,369 | 1,371 | 1,305 | 1,360 | 1,330 |
| Total retail | | 14,464 | 14,577 | 14,296 | 14,323 | 14,275 |
| Wholesale | | 3,591 | 2,946 | 2,571 | 3,158 | 2,334 |
| Total | | 18,055 | 17,523 | 16,867 | 17,481 | 16,609 |
| Gas sales (thousands of MCF)-- (a) | | | | | | |
| Residential | - | | 18,538 | 24,450 | 24,877 | 29,277 |
| Commercial | - | | 5,838 | 7,647 | 7,433 | 9,567 |
| Industrial | - | | 2,034 | 2,246 | 1,916 | 2,520 |
| Other | - | | 776 | 1,182 | 1,699 | 2,153 |
| Transported gas | - | | <u>16,105</u> | <u>20,190</u> | <u>17,788</u> | <u>18,523</u> |
| Total | - | | 43,291 | 55,715 | 53,713 | 62,040 |
| At December 31, | | | | | | |
| Total assets (millions) | \$ | 2,720.9 | 2,721.5 | 3,153.5 | 3,412.4 | 3,326.8 |
| Long-term debt (millions) | \$ | 666.6 | 666.5 | 661.2 | 885.6 | 886.0 |
| First mortgage bond ratings-- | | | | | | |
| Standards & Poor's Corporation | | BBB+ | BBB+ | AA- | AA- | AA- |
| Moody's Investors Service | | A2 | A2 | Aa3 | Aa3 | Aa3 |
| Number of Preferred Shareholders | | 476 | 471 | 509 | 559 | 625 |

(a) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 31, 2000.

To the Board of Directors and Shareholder of The Dayton Power and Light Company

In our opinion, the consolidated financial statements listed in the index, appearing under Item 14(a)(1) on page 54 present fairly, in all material respects, the financial position of The Dayton Power and Light Company and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 54 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Dayton, Ohio
January 28, 2002

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10 - Directors and Executive Officers of the Registrant

Directors of the Registrant

The Board is presently authorized to consist of eleven directors. These directors are also directors of DPL Inc., the holding company of the Company. The directors are to be elected this year to serve until the Annual Meeting of Shareholders in 2003 or until their successors are duly elected and qualified. Should any nominee become unable to accept nomination or election, the Board will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee.

The following information regarding the nominees is based on information furnished by them:

| | Director Since |
|--|-------------------|
| THOMAS J. DANIS, Age 52 Chairman and Chief Executive Officer, The Danis Companies, Dayton, Ohio, construction, real estate and environmental services. Trustee: Miami Valley Research Park Foundation. | 1989 |
| JAMES F. DICKE, II, Age 56 President, Crown Equipment Corporation, New Bremen, Ohio, international manufacturer and distributor of electric lift trucks and material handling products. Director: Regional Boys and Girls Clubs of America, Anderson-Cooke, Inc., Dayton Art Institute, Gulf States Paper Co. Chairman: Trinity University Board of Trustees. Secretary: Culver Educational Foundation. | 1990 |
| PETER H. FORSTER, Age 59 Chairman, DPL Inc. and The Dayton Power and Light Company. Chairman: Miami Valley Research Foundation. Director: Amcast Industrial Corp. Trustee: F. M. Tait Foundation. | 1979 |
| ERNIE GREEN, Age 63 President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio, automotive components manufacturer. Director: Pitney Bowes Inc., Eaton Corp. | 1991 |

JANIE G. HALEY, Age 71

President and Chief Executive Officer, Gosiger, Inc.,
Dayton, Ohio, national importer and distributor of
machine tools.

Director: The Ultra-Met Company, Urbana, Ohio,
CNA America, Dayton, Ohio.

Trustee: University of Dayton, Chaminade-Julienne
High School, Dayton, Ohio.

Member Miami Valley Economic Development Coalition.

ALLEN M. HILL, Age 56

President and Chief Executive Officer, DPL Inc. and
The Dayton Power and Light Company.

Director: Fifth Third Bancorp, Premier Health Partners.

Trustee: Dayton Business Committee,
The University of Dayton, Air Force Museum Foundation,
Alliance Community Schools.

W AUGUST HILLENBRAND, Age 61

Retired President and Chief Executive Officer, Hillenbrand
Industries, Batesville, Indiana, a diversified public holding
company that manufactures caskets, hospital furniture,
hospital supplies and provides funeral planning services.

Director: Hillenbrand Industries, Pella Corporation.
Company, Hon Industries.

Trustee: Batesville Girl Scouts.

Trustee Emeritus: Denison University.

DAVID R. HOLMES, Age 61

Retired Chairman of the Board and Chief Executive Officer,
The Reynolds and Reynolds Company, Dayton, Ohio,
information management systems.

Director: NCR Corporation, Dayton, Ohio.

BURNELL R. ROBERTS, Age 74

Retired Chairman of the Board and Chief Executive
Officer, The Mead Corporation, Dayton, Ohio,
forest products producer.

Principal: Pembroke Associates.

Director: Rayonier, Inc., p4A.com Ltd.

Trustee: Granum Value Fund.

GEORGE R. ROBERTS, Age 58

Partner, Kohlberg Kavis Roberts & Co. L.P. and Managing
 Member of KKR & Co. LLC, New York City, investment company.
 Director: Accuride Corporation, Amphenol Corporation, Borden,
 Inc., The Boyds Collection, Ltd., Evenflo Company Inc.,
 IDEX Corporation, KinderCare Learning Center, Inc.,
 KSL Recreation Group, Inc., Owens-Illinois, Inc., PRIMEDIA, Inc.,
 Safeway Inc., Spalding Holdings Corporation.
 Trustee: Claremont McKenna College, Culver Military Academy.
 Member: San Francisco Symphony, San Francisco Ballet,
 Fine Arts Museum.

SCOTT M. STUART, Age 42

2000

Member, KKR & Co. LLC, New York City, investment company.
 Director: AEP Industries Inc., Borden, Inc., The Boyds Collection,
 Ltd.
 Board Member: The Boys Club of New York, Greenwich Country
 Day School, WNET/Channel 13.

EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 2002)

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| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|------------------------|------------|--|--------------------|
| Allen M. Hill | 56 | President and Chief Executive Officer, DPL Inc. and the Company | 4/06/92 - 3/01/02 |
| | | President and Chief Executive Officer, DPL Inc. | 1/01/97 - 3/01/02 |
| Stephen F. Kozlar, Jr. | 57 | Group Vice President and Secretary, DPL Inc. and the Company | 1/31/95 - 3/01/02 |
| Elizabeth M. McCarthy | 42 | Group Vice President and Chief Financial Officer, DPL Inc. and the Company | 9/26/00 - 3/01/02 |
| | | Vice President and Chief Accounting Officer, DPL Inc. and the Company | 4/01/00 - 9/26/00 |
| | | Partner, PricewaterhouseCoopers LLP, New York, NY | 7/01/94 - 3/31/00 |
| Arthur G. Meyer | 51 | Vice President, Legal and Corporate Affairs | 11/21/97 - 3/01/02 |
| | | Director, Corporate Relations | 5/14/96 - 11/21/97 |
| Bryce W. Nickel | 45 | Assistant Vice President | 1/01/94 - 3/01/02 |
| H. Ted Santo | 51 | Group Vice President | 12/08/92 - 3/01/02 |
| Patricia K. Swanke | 42 | Vice President, Operations | 9/29/99 - 3/01/02 |
| | | Managing Director | 9/08/96 - 9/29/99 |

Item 11 - Executive Compensation

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive an annual award of 1,500 common shares units for services as a director. The annual share unit award replaced cash director fees effective July 1, 2000. Previously, directors received \$12,000 annually plus meeting attendance and committee fees.

Non-employee directors are eligible to receive grants of stock options under the DPL Inc. Stock Option Plan. Each non-employee director, except Mr. Forster, was granted an option to purchase 50,000 shares on February 1, 2000 at an above market exercise price of \$21.00 per share. The closing price on February 1, 2000 was \$19.06 per share. These options represent a three-year block grant, are currently exercisable and expire on February 1, 2010.

DPL Inc. maintains a Deferred Compensation Plan for non-employee directors in which payment of directors' fees may be deferred. Under the standard deferred income program directors are entitled to receive a lump sum payment or payments in installments over a period up to 20 years. Effective January 31, 2000, the supplementary deferred income program was terminated for current directors and the value of each director's supplementary account transferred to his or her standard deferral account. All current directors have designated their standard deferral account be invested in DPL Inc. common share units.

Mr. Forster, who retired as Chief Executive Officer of DPL Inc. effective December 31, 1996, entered into a three year agreement with DPL Inc. and the Company pursuant to which he serves as Chairman of the Board of DPL Inc. and the Company and provides advisory and strategic planning services. The term of the agreement is automatically extended each December 31 for an additional year unless either party gives advance notice of nonrenewal. For these services, Mr. Forster receives an annual fee of \$600,000 (as well as such bonuses, if any, as may be determined by the Compensation and Management Review Committee in its discretion) and is eligible to receive grants of stock options under the DPL Inc. Stock Option Plan. As Chairman, Mr. Forster is responsible for the long-term strategic planning of the Company, the oversight of financial assets, and the evaluation and recommendations relating to the merger, acquisition and disposition of utility assets. Mr. Forster participates in an incentive program for individuals managing financial assets.

EXECUTIVE OFFICER COMPENSATION

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Summary Compensation Table

Set forth below is certain information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of DPL Inc. and the Company, for the last three fiscal years, for services rendered in all capacities.

| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation | | |
|---|------|---------------------|----------------|---------------------------------------|-----------------------|---------------------------------|
| | | Salary (\$) | Bonus (1) (\$) | Securities Underlying Options (2) (#) | LTIP Payouts (3) (\$) | All Other Compensation (4) (\$) |
| Allen M. Hill President and Chief Executive Officer | 2001 | 675,000 | — | — | — | 1,000 |
| | 2000 | 600,000 | 300,000 | 1,350,000 | 2,180,000 | 1,000 |
| | 1999 | 550,000 | 462,000 | — | 525,000 | 1,000 |
| Peter H. Forster (5) Chairman | 2001 | 600,000 | — | — | — | 43,000 |
| | 2000 | 550,000 | 300,000 | 2,400,000 | 3,312,000 | 61,000 |
| | 1999 | 500,000 | 250,000 | — | 1,130,000 | 84,000 |
| Judy Wyatt (6) Group Vice President | 2001 | 306,000 | — | — | — | 1,000 |
| | 2000 | 294,000 | 100,000 | 525,000 | 500,000 | 1,000 |
| | 1999 | 280,000 | 180,000 | — | — | 1,000 |
| Stephen F. Koziar, Jr. Group Vice President And Secretary | 2001 | 302,000 | — | — | — | 1,000 |
| | 2000 | 272,000 | 100,000 | 495,000 | 1,100,000 | 1,000 |
| | 1999 | 259,000 | 166,000 | — | 350,000 | 1,000 |
| Elizabeth M. McCarthy (7) Group Vice President and Chief Financial Officer | 2001 | 330,000 | — | 125,000 | — | 1,000 |
| | 2000 | 280,000 | 220,000 | 250,000 | 300,000 | 1,000 |

(1) Amounts in this column represent awards made under the Management Incentive Compensation Program ("MICP"). Awards are based on achievement of specific predetermined operating and management goals in the year indicated and paid in the year earned or in the following year.

(2) Amounts in this column represent a three-year block grant of stock options to the named executive under the DPL Inc. Stock Option Plan in lieu of awards under the Management Stock Incentive Plan ("MSIP"). Each executive was granted a number of option shares equal to three times the executive's earned Restricted Share Units ("RSUs") held in the Master Trust under the MSIP. See "Option Grants in Last Fiscal Year."

(3) Amounts shown for 2000 include the dollar value of a one-time contingent award of RSUs approved by the Compensation Committee in 1999 which could be earned only if the closing price of DPL Inc. common shares on the NYSE Consolidated Transactions Tape achieved \$26 per share between June 1999 and July 1, 2001. These RSUs were earned in 2000 and settled in cash.

Amounts in this column for 1999 also represent annualized incentives earned by the named executive officer under a long-term incentive program for individuals managing all financial assets of DPL Inc. Incentives were earned based on net cumulative investment performance of such assets over the four-year period 1996 through 1999. For 2000, incentives were earned based on annual performance and include \$100,000 for Mr. Hill, \$1.232 million for Mr. Forster and \$100,000 for Mr. Koziar. In 2001, no incentives were awarded under this program.

(4) Amounts in this column represent employer matching contributions on behalf of each named executive under the Company Employee Savings Plan made to the DPL Inc. Employee Stock Ownership Plan.

- (5) Annual compensation shown for Mr. Forster for 1999, 2000 and 2001 was paid pursuant to an agreement with DPL Inc. and the Company. All other compensation shown for 2001 represents the dollar value of the annual award of 1,500 shares to each non-employee director in lieu of directors fees, and for 2000 represents directors fees of \$26,700 and the dollar value of the annual award of 1,500 shares to each non-employee director in lieu of directors fees and for 1999 represents directors fees of \$37,000 and an award of 2,700 shares under the Directors' Stock Plan. Participation in the Director compensation program by Mr. Forster was terminated during the year 2000.
- (6) Ms. Wyatt retired from the Company effective January, 1, 2002 after 22 years of service. We offer our sincere appreciation to Ms. Wyatt and wish her well in her future endeavors.
- (7) Ms. McCarthy joined DPL Inc. in March 2000. Ms. McCarthy has an employment agreement with DPL Inc. which provides for annual base salary as determined by the Compensation Committee, participation in the MICP, a stock option grant, \$100,000 signing bonus subject to forfeiture and severance benefits.

Option Grants in Last Fiscal Year

The following table sets forth information concerning individual grants of stock options made to the named executive officers during the fiscal year ended December 31, 2001.

| <u>Name</u> | <u>Individual Grants</u> | | | | |
|----------------------------|---|---|----------------------------------|------------------------|---------------------------------------|
| | <u>Number of Securities Underlying Options Granted (#)(1)</u> | <u>% of Total Options Granted to Employees in Fiscal Year</u> | <u>Exercise Price (\$/Share)</u> | <u>Expiration Date</u> | <u>Grant Date Present Value \$(2)</u> |
| Allen M. Hill..... | -- | -- | -- | -- | -- |
| Peter H. Forster..... | -- | -- | -- | -- | -- |
| Judy Wyatt..... | -- | -- | -- | -- | -- |
| Stephen F. Koziar, Jr..... | -- | -- | -- | -- | -- |
| Elizabeth M. McCarthy... | 125,000 | 98 | 27.12 | 6/19/11 | 437,500 |

- (1) Options granted pursuant to the DPL Inc. Stock Option Plan on June 19, 2001. These options vest in five cumulative installments of 20% on December 31, 2002, 2003, 2004, 2005 and 2006 and become exercisable on January 1, 2007.
- (2) The grant date present value was determined using the Black-Scholes pricing model. Significant assumptions used in the model were: expected volatility 18.5%, risk-free rate of return 4.53%, dividend yield 3.64% and time of exercise 5.1 years.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning each exercise of stock options during fiscal 2001 by each of the named executive officers and the fiscal year-end value of unexercised options.

| Name | Shares Acquired On Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) | | Value of Unexercised In-the-Money Options at Fiscal Year-End \$(1) | |
|----------------------------|---|---------------------------|--|---------------|--|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Allen M. Hill..... | -- | -- | -- | 1,350,000 | -- | 4,158,000 |
| Peter H. Forster..... | -- | -- | -- | 2,400,000 | -- | 7,392,000 |
| Judy Wyatt..... | -- | -- | -- | 210,000 | -- | 646,800 |
| Stephen F. Koziar, Jr..... | -- | -- | -- | 495,000 | -- | 1,524,600 |
| Elizabeth M. McCarthy... | -- | -- | -- | 375,000 | -- | 770,000 |

(1) Unexercised options were in-the-money if the fair market value of the underlying shares exceeded the exercise price of the option at December 31, 2001.

Change in Control Agreements

DPL Inc. has in place agreements with each of Mr. Hill, Mr. Koziar and Ms. McCarthy providing for the payment of benefits upon the consummation of a change in control of DPL Inc. or the Company (generally, defined as the acquisition of 50% or more of the voting securities (15% or more without board approval) or certain mergers or other business combinations). The agreements require the individuals to remain with DPL Inc. throughout the period during which any change of control transaction is pending in order to help put in place the best plan for the shareholders. The principal benefits under each agreement include payment of the following: (i) 300% of the sum of the individual's annual base salary at the rate in effect on the date of the change in control plus the average amount paid to the individual under the MICP for the three preceding years; (ii) all awarded or earned but unpaid RSUs; and (iii) continuing medical, life, and disability insurance. In addition, upon termination of the individual's employment under specified circumstances during the pendency of a change of control, the individual is entitled to receive the individual's full base salary and accrued benefits through the date of termination and the individual's award for the current period under the MICP (or for a completed period if no award for that period has yet been determined) fixed at an amount equal to his average annual award paid for the preceding three years. In the event any payments under these agreements are subject to an excise tax under the Internal Revenue Code of 1986, the payments will be adjusted so that the total payments received on an after-tax basis will equal the amount the individual would have received without imposition of the excise tax. The agreements are effective for one year but are automatically renewed each year unless DPL Inc. or the participant notifies the other one year in advance of its or his or her intent not to renew. DPL Inc. is obligated at the time of a change of control to fund its obligations under the agreements and under the Directors' and Officers' Compensation Plans by transferring required payments to a grantor trust (the ("Master Trust")). Mr. Forster's agreement with DPL Inc. and the Company contains similar benefits provisions.

Pension Plans

000267

The following table sets forth the estimated total annual benefits payable under the Company retirement income plan and the supplemental executive retirement plan to executive officers at normal retirement date (age 65) based upon years of accredited service and final average annual compensation (including base and incentive compensation) for the three highest years during the last ten:

| Final Average Annual Earnings | Total Annual Retirement Benefits for Years of Accredited Service at Age 65 | | |
|----------------------------------|---|-----------|-------------|
| | 10 Years | 15 Years | 20-30 Years |
| \$ 200,000 | \$ 51,500 | \$ 77,500 | \$ 103,000 |
| 400,000 | 108,500 | 163,000 | 217,000 |
| 600,000 | 165,500 | 248,500 | 331,000 |
| 800,000 | 222,500 | 334,000 | 445,000 |
| 1,000,000 | 279,500 | 419,500 | 559,000 |
| 1,200,000 | 336,500 | 505,000 | 673,000 |
| 1,400,000 | 393,500 | 590,500 | 787,000 |

The years of accredited service for the named executive officers are Mr. Hill -- 32 yrs.; Mr. Koziar -- 32 yrs.; Ms. Wyatt -- 22 yrs. and Ms. McCarthy -- 19 yrs. Benefits are computed on a straight-life annuity basis, are subject to deduction for Social Security benefits and may be reduced by benefits payable under retirement plans of other employers. Mr. Forster ceased to accrue benefits under the retirement plans effective upon his retirement as an employee of DPL Inc. and the Company.

Participation in the supplemental plan has been terminated for all executive officers and the benefits enumerated above reduced by 21%. The present value of each individual's accrued benefit under the supplemental plan, determined by DPL Inc.'s actuary, was transferred to a deferred payment account.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The Company's stock is actually owned by DPL Inc.

Item 13 - Certain Relationships and Related Transactions

None.

Item 14 - Exhibits, Financial Statement Schedule and Reports on Form 8-K

(a) Documents filed as part of the Form 10-K

1. Financial Statements

See Item 8 - Index to Consolidated Financial Statements on page 23, which page is incorporated herein by reference.

2. Financial Statement Schedule

For the three years in the period ended December 31, 2001:

| | <u>Page No.</u> |
|---|-----------------|
| Schedule II - Valuation and qualifying accounts | 60 |

The information required to be submitted in Schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The exhibits filed as a part of this Annual Report on Form 10-K are:

| | | <u>Incorporated Herein by Reference as Filed With</u> |
|------|---|---|
| 2(a) | Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and the Company dated January 6, 1986 | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 2(b) | Copy of Asset Purchase Agreement, dated December 14, 1999 between The Dayton Power and Light Company, Indiana Energy, Inc., and Number-3CHK, Inc | Exhibit 2 to Report on Form 10-Q for the quarter ended September 30, 2000 (File No. 1-2385) |
| 3(a) | Regulations and By-Laws of the Company..... | Exhibit 2(e) to Registration Statement No. 2-68136 to Form S-16 |
| 3(b) | Copy of Amended Articles of Incorporation of the Company dated January 3, 1991 | Exhibit 3(b) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 4(a) | Copy of Composite Indenture dated as of October 1, 1935, between the Company and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture..... | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) | Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) | Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) | Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) | Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between the Company and The Bank of New York, Trustee | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |

| | | |
|-------|--|---|
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between the Company and The Bank of New York, Trustee | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between the Company and The Bank of New York, Trustee | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between the Company and The Bank of New York, Trustee | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 4(m) | Copy of the Forty-First Supplemental Indenture dated as of February 1, 1999, between the Company and The Bank of New York, Trustee | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1998 (File No. 1-2385) |
| 10(a) | Copy of Directors' Deferred Stock Compensation Plan amended December 31, 2000..... | Exhibit 10(a) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |
| 10(b) | Copy of Directors' Deferred Compensation Plan amended December 31, 2000 | Exhibit 10(b) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |

| | | |
|-------|---|---|
| 10(c) | Copy of Management Stock Incentive Plan amended December 31, 2000 | Exhibit 10(c) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |
| 10(d) | Copy of Key Employees Deferred Compensation Plan amended December 31, 2000..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |
| 10(e) | Form of Change of Control Agreement with Certain Executive Officers | Exhibit 10(e) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |
| 10(f) | Copy of Stock Option Plan..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-2385) |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1988 (File No. 1-2385) |
| 21 | Copy of List of Subsidiaries of the Company | Filed herewith as Exhibit 21 on page 61 |

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAYTON POWER AND LIGHT COMPANY

Registrant

March 28, 2002

/s/ Elizabeth M. McCarthy
Elizabeth M. McCarthy
Group Vice President and Chief Financial Officer
(principal financial officer)

March 28, 2002

/s/ Allen M. Hill
Allen M. Hill
President and Chief Executive Officer
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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The Dayton Power and Light Company
VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2001, 2000, and 1999

(\$ in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E |
|--|--------------------------------------|-------------------------|-------|-------------------|--------------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| 2001: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 6,847 | \$11,759 | \$ - | \$ 6,161 | \$12,445 |
| 2000: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,332 | \$ 9,115 | \$ - | \$ 6,600 | \$ 6,847 |
| 1999: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,657 | \$ 5,171 | \$ - | \$ 5,496 | \$ 4,332 |

(1) Amounts written off, net of recoveries of accounts previously written off.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2000**

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2385

THE DAYTON POWER AND LIGHT COMPANY

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
incorporation or organization)

Courthouse Plaza Southwest, Dayton, Ohio

(Address of principal executive offices)

31-0258470

(I.R.S. Employer Identification No.)

45402

(Zip Code)

Registrant's telephone number, including area code: **937-224-6000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. √

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES √ NO

Number of shares of registrant's common stock outstanding as of February 28, 2001, all of which were held by DPL Inc., was 41,172,173.

THE DAYTON POWER AND LIGHT COMPANY

Index to Annual Report on Form 10-K
Fiscal Year Ended December 31, 2000

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THE COMPANY

The Dayton Power and Light Company (the "Company") is a public utility incorporated under the laws of Ohio in 1911. The Company sells electricity to residential, commercial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for the Company's 24 county service area is generated at eight power plants and is distributed to 495,000 retail customers. Principal industries served include electrical machinery, automotive and other transportation equipment, non-electrical machinery, agriculture, paper, and rubber and plastic products. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area.

The Company employed 1,806 persons as of December 31, 2000, of which 1,526 were full-time employees and 280 were part-time employees.

All of the outstanding shares of common stock of the Company are held by DPL Inc. ("DPL"), which became the Company's corporate parent, effective April 21, 1986.

The Company's principal executive and business office is located at Courthouse Plaza Southwest, Dayton, Ohio 45402 - telephone (937) 224-6000.

COMPETITION

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers as of January 1, 2001. Under the legislation, electric generation, aggregation, power marketing, and power brokerage services supplied to retail customers in Ohio is deemed to be competitive and is not subject to supervision and regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the legislation, the Company filed its transition plan at the PUCO on December 20, 1999. The Company received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time the Company's generation assets will no longer be subject to Ohio regulation and will be able to sell all capacity in the open energy market. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million per year; rate certainty for the three year period for customers that continue to purchase power from the Company; guaranteed rates for a six-year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its growth initiatives without regulatory restrictions.

On September 30, 1996, the FERC conditionally accepted the Company's market-based sales tariff, which will allow the Company to sell wholesale generation supply at prices that reflect current market prices.

The Company competes with privately and municipally owned electric utilities and rural electric cooperatives, and other alternate fuel suppliers. The Company competes on the basis of price and service.

Like other utilities, the Company from time to time may have electric generating capacity available for sale to other utilities. The Company competes with other utilities to sell electricity provided by such capacity. The ability of the Company to sell this electricity will depend on how the Company's price, terms and conditions compare to those of other suppliers. In addition, from time to time, the Company makes power purchases from other suppliers.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

The Company provides transmission and wholesale electric service to twelve municipal customers which distribute electricity within their corporate limits. In addition to these municipal customers, the Company maintains an interconnection agreement with one municipality that has the capability to generate a portion of its energy requirements. Sales to municipalities represented 1.6% of total electricity sales in 2000.

The municipal agreements provide, among other things, for the sale of firm power by the Company to the municipals on specified terms. However, the parties disagree in their interpretation of this portion of the agreement and the Company filed suit against the eleven municipals on December 28, 1998. The dispute was subsequently settled in 1999. In December 1999, the Company filed a second suit against the municipals claiming their failure to pay for certain services rendered under the contract. The municipals filed a complaint at the Federal Energy Regulatory Commission ("FERC") claiming violation of a mediation clause. On June 29, 2000 the FERC Administrative Law Judge issued an initial decision in the case, which was favorable to the Company; however, the FERC has not yet issued a final order. This dispute is expected to be resolved through the FERC process, and is not expected to result in a material impact on the Company's financial position or results of operations.

On April 24, 1996, the FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, the FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. Both in 1997 and 1998, the Company reached an agreement in principle with staff and intervenors in these tariff cases. The FERC issued an Order accepting the Stipulation between the parties in the Company's Open Access Transmission Tariff cases on July 30, 1999 and September 17, 1999. The Company was not materially impacted by the Order.

FERC issued a final rule on December 20, 1999 specifying the minimum characteristics and functions for Regional Transmission Organizations ("RTO"). The rule required that all public utilities that own, operate or control interstate transmission file a proposal to join a RTO by October 15, 2000 or file a description of efforts taken to participate in an RTO, reasons for not participating in an RTO, any obstacles to participation in an RTO, and any plans for further work towards participation. The Company filed with the FERC to join the Alliance RTO and expects to transfer operational control of its transmission assets to the Alliance when it is complete.

On July 22, 1998, the PUCO approved the implementation of Minimum Electric Service Standards for all of Ohio's investor-owned electric utilities. This Order details minimum standards of performance for a variety of service related functions effective July 1, 1999. On December 21, 1999, the PUCO issued additional rules proposed by the PUCO staff, which are designed to guide the electric utility companies as they prepare to enter into deregulation. These rules include certification of providers of competitive retail electric services, minimum competitive retail electric service standards, monitoring the electric utility market, and establishing procedures for alternative dispute resolution. There were also rules issued to amend existing rules for noncompetitive electric service and safety standards and electric companies long-term forecast reporting. The Company submitted comments on the proposed rules on January 31, 2000. The rules were finalized by the PUCO in June 2000 and did not have a material impact on the Company's financial position.

Responding to the new Ohio legislation, the Company is functionally separating its various business units and is evaluating each unit on a stand-alone basis. Business units not complementing DPL's going-forward strategy may be divested. In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash.

CONSTRUCTION PROGRAM

Construction additions were \$125 million in 2000 and \$80 million in 1999. The capital program for 2001 is approximately \$169 million. The major component of the 2001 capital program is environmental compliance at \$64 million.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings, which may change the level of future construction additions. The potential impact of these events on the Company's operations cannot be estimated at this time.

ELECTRIC OPERATIONS AND FUEL SUPPLY

The Company's present winter generating capability is 3,371,000 KW. Of this capability, 2,843,000 KW (approximately 84%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 87% (2,472,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Each company owns a specified undivided share of each of these units, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by the Company. The Company's all-time net peak load was 3,130,000 KW, occurring in 1999. The present summer generating capability is 3,269,000 KW.

GENERATING FACILITIES

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-----------------|-------|
| | | | | Company Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 371 | 371 |
| Killen | C | Company | Wrightsville, OH | 402 | 600 |
| Stuart | C | Company | Aberdeen, OH | 820 | 2,340 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miami Fort-Units 7 & 8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 33 | 33 |
| Yankee Street | W | Company | Centerville, OH | 138 | 138 |
| Monument | W | Company | Dayton, OH | 12 | 12 |
| Tait | W | Company | Dayton, OH | 10 | 10 |
| Sidney | W | Company | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | Company | Moraine, OH | 100 | 100 |
| Tait Gas Turbine 2 | W | Company | Moraine, OH | 102 | 102 |
| Tait Gas Turbine 3 | W | Company | Moraine, OH | 102 | 102 |
| Killen | C | Company | Wrightsville, OH | 16 | 24 |
| Stuart | C | Company | Aberdeen, OH | 3 | 10 |

*W = Wholly-Owned

C = Commonly Owned

In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. The Company has several interconnections with other companies for the purchase, sale and interchange of electricity. In addition, the Company is in the process of constructing an additional 40.2-mile long, 345,000-volt circuit between CG&E's Foster Substation and the Company's Bath Substation, with a target in-service date of June 1, 2001. The circuit will be jointly owned by the Company and CG&E.

The Company generated over 99% of its electric output from coal-fired units in 2000. The remainder was from oil or natural gas-fired units, which were used to meet peak demands.

The Company estimates that up to 75% of its coal requirements for the period 2001-2004 will be obtained through long-term contracts, with the balance to be obtained by spot market purchases. The Company has been informed by CG&E and CSP for the commonly owned units which they operate that sufficient coal supplies will be available during the same planning horizon.

The prices to be paid by the Company under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kilowatt-hour ("kWh") generated of fuel burned for electric generation (coal, gas and oil) for the year was 1.18¢ in 2000 and 1.30¢ in both 1999 and 1998. With the onset of competition in January 2001, the EFC became part of the Standard Offer Generation Rate. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction was valued pursuant to an arms-length negotiation and resulted in a pre-tax gain of \$183 million (\$121 million net of taxes). Proceeds from the sale were used to finance the regional merchant generation expansion and reduce outstanding short-term debt.

RATE REGULATION AND GOVERNMENT LEGISLATION

The Company's sales to retail customers are subject to rate regulation by the PUCO and various municipalities. The Company's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by the FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL. The legislation extends the PUCO's supervisory powers to a holding company system's general condition and capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service.

Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| | At December 31, | |
|---------------------------------------|------------------|----------------|
| | 2000 | 1999 |
| | (\$ in millions) | |
| Income taxes recoverable through | | |
| future revenues (b)..... | \$ 19.8 | \$168.5 |
| Regulatory transition costs (a) | 144.8 | - |
| Other costs (b) | 1.6 | 53.3 |
| Total | <u>\$166.2</u> | <u>\$221.8</u> |

(a) As discussed in the COMPETITION section, the Company received PUCO approval of its transition plan for the deregulation of its generation business. Accordingly, the Company discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate primarily to the Company's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

Under the legislation passed in 1999, the percentage of income payment plan ("PIPP") for eligible low-income households will be converted to a universal service fund. The universal service program will be administered by the Ohio Department of Development. As part of the Company's Electric Transition Plan, the Company has requested to recover PIPP arrearages remaining as of December 31, 2000 as part of a transition charge.

In 2000, the PUCO amended the rules for Long-Term Forecast Reports for all investor-owned electric transmission and distribution companies in Ohio. Under these rules, each transmission and/or distribution company must annually file a Long-Term Electric Forecast Report, which presents 10-year energy and demand transmission and distribution forecasts. The reports also must contain information on the company's existing and planned transmission and distribution systems, as well as a substantiation of the need for any system upgrades or additions. The Company filed a combined 2000/2001 Long-Term Electric Forecast Report under these amended rules in March 2001.

The PUCO is composed of five commissioners appointed to staggered five-year terms. The current Commission is composed of the following members:

| <u>Name</u> | <u>Beginning of Term</u> | <u>End of Term</u> |
|--------------------------------|--------------------------|--------------------|
| Clarence D. Rogers | February 2001 | April 2006 |
| Rhonda H. Fergus..... | April 1995 | April 2005 |
| Chairman Alan R. Schriber..... | April 1999 | April 2004 |
| Donald L. Mason..... | April 1998 | April 2003 |
| Judith A. Jones..... | April 1997 | April 2002 |

See COMPETITION for more detail regarding the impact of legislation passed in October 1999.

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company, including the commonly owned facilities operated by the Company, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION PROGRAM.

Air Quality

The Clean Air Act Amendments of 1990 (the "Act") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The Act restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements will become effective on January 1, 2000.

The Company's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993 and, on November 9, 1995, the PUCO approved the continued appropriateness of the ECP. Phase I requirements were met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the Act were approximately \$5.5 million. Phase II requirements are being met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units.

In November 1999, the United States Environmental Protection Agency ("US EPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners CG&E (Beckjord 6) and CSP (Conesville 4) and co-owned by the Company were referenced in these actions. Numerous northeast states have filed complaints or have indicated that they will be joining the EPA's action against the partners. The Company was not identified in the NOV's, civil complaints or state actions. In December 2000, CG&E announced that it had reached an Agreement in Principle with the US EPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing, and the outcome of these claims or the impact, if any, on the Company has not been determined. In June 2000, the US EPA issued a NOV to J.M. Stuart Station (co-owned by the Company, CG&E, and CSP) for alleged violations of the Clean Air Act. The NOV contained allegations consistent with NOV's and complaints that the EPA has recently brought against numerous other coal-fired utilities in the Midwest. The Company will vigorously challenge the NOV. At this time, the outcome of these claims or the impact, if any, on the Company is unknown.

In September 1998, the US EPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the CAA. The modified SIPs are likely to result in further nitrogen oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million over the next three years. Industry groups and others appealed the rules in United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rule an additional year, until May 31, 2004. In March 2001, the United States Supreme Court refused to hear further appeals of the SIP rules. In December 1999, the US EPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. The Company's current NOx reduction strategy and associated expenditures to meet the SIP call should satisfy the rulemaking reduction requirements.

On December 14, 2000, the US EPA issued a determination that coal- and oil-fired electric generation units should be regulated for emissions of mercury and hazardous air pollutants. The US EPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

The Company and numerous other parties have been notified by the US EPA or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRP's") for clean-up at two superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio and the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio.

The Company received notification from the US EPA in July 1987 for the Cardington Road site. The Company has not joined the PRP group formed at that site because of the absence of any known evidence that the Company contributed hazardous substances to this site. The Record of Decision issued by the US EPA identifies the chosen clean-up alternative at a cost estimate of \$8.1 million. The Company's settlements with the US EPA and the PRP group are pending for this site. The final resolution is not expected to have a material effect on the Company's financial position, earnings or cash flow.

The Company and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRP's for clean up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. The Company has not joined the PRP group formed for the site because the available information does not demonstrate that the Company contributed wastes to the site. The Ohio EPA has not provided an estimated cost for this site. In October 2000, the PRP group brought an action against the Company and numerous other parties alleging that the Company and the others are PRP's that should be liable for a portion of clean-up costs at the site. The Company will vigorously challenge this action. The final resolution is not expected to have a material effect on the Company's financial position, earnings or cash flow.

The Dayton Power and Light Company
OPERATING STATISTICS
ELECTRIC OPERATIONS

| | Years Ended December 31 | | |
|---|-------------------------|--------------------|--------------------|
| | 2000 | 1999 | 1998 |
| Electric Output (millions of kWh) | | | |
| General - | | | |
| Coal-fired units | 17,053 | 16,539 | 16,854 |
| Other units | 79 | 189 | 99 |
| Power purchases..... | 1,675 | 1,523 | 1,475 |
| Company use and line losses | (1,284) | (1,384) | (947) |
| Total | <u>17,523</u> | <u>16,867</u> | <u>17,481</u> |
| Electric Sales (millions of kWh) | | | |
| Residential..... | 4,816 | 4,725 | 4,790 |
| Commercial | 3,539 | 3,390 | 3,518 |
| Industrial | 4,851 | 4,876 | 4,655 |
| Public authorities and railroads..... | 1,371 | 1,305 | 1,360 |
| Private utilities and wholesale (a) | 2,946 | 2,571 | 3,158 |
| Total | <u>17,523</u> | <u>16,867</u> | <u>17,481</u> |
| Electric Customers at End of Period | | | |
| Residential..... | 444,683 | 441,468 | 437,674 |
| Commercial | 46,218 | 45,470 | 44,716 |
| Industrial | 1,928 | 1,917 | 1,909 |
| Public authorities and railroads..... | 6,108 | 5,994 | 5,838 |
| Other | 48 | 46 | 43 |
| Total | <u>498,985</u> | <u>494,895</u> | <u>490,180</u> |
| Operating Revenues (thousands) | | | |
| Residential..... | \$ 422,733 | \$ 412,808 | \$ 419,948 |
| Commercial | 245,097 | 235,309 | 242,526 |
| Industrial | 236,670 | 242,410 | 228,685 |
| Public authorities and railroads..... | 74,484 | 69,777 | 76,686 |
| Private utilities and wholesale (a) | 112,328 | 79,196 | 86,485 |
| Other | 18,743 | 18,844 | 18,651 |
| Total | <u>\$1,110,055</u> | <u>\$1,058,344</u> | <u>\$1,072,981</u> |

NOTE:

- a) Sales and revenue numbers for private utilities and wholesale include merchant electric peaking generation capacity sales.
- b) See Note 14 to Consolidated Financial Statements for additional information.

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The Dayton Power and Light Company
OPERATING STATISTICS
GAS OPERATIONS

| | Years Ended December 31 | | |
|---------------------------------------|-------------------------|------------------|------------------|
| | 2000 | 1999 | 1998 |
| Gas Output (thousands of MCF) | | | |
| Direct market purchases | 27,723 | 37,865 | 36,497 |
| Liquefied petroleum gas | 57 | 2 | 3 |
| Company use and unaccounted for | (546) | (2,116) | (912) |
| Transportation gas received | 16,057 | 19,964 | 18,125 |
| Total | 43,291 | 55,715 | 53,713 |
| Gas Sales (thousands of MCF) | | | |
| Residential | 18,538 | 24,450 | 24,877 |
| Commercial | 5,838 | 7,647 | 7,433 |
| Industrial | 2,034 | 2,246 | 1,916 |
| Public authorities | 776 | 1,182 | 1,699 |
| Transportation gas delivered | 16,105 | 20,190 | 17,788 |
| Total | 43,291 | 55,715 | 53,713 |
| Gas Customers at End of Period | | | |
| Residential | - | 282,706 | 279,784 |
| Commercial | - | 22,635 | 22,491 |
| Industrial | - | 1,303 | 1,441 |
| Public authorities | - | 1,173 | 1,509 |
| Total | - | 307,817 | 305,225 |
| Operating Revenues (thousands) | | | |
| Residential | \$ 119,460 | \$139,545 | \$138,802 |
| Commercial | 35,262 | 40,225 | 38,243 |
| Industrial | 11,114 | 11,017 | 9,291 |
| Public authorities | 4,466 | 5,908 | 8,230 |
| Other | 13,554 | 18,284 | 16,640 |
| Total | \$ 183,856 | \$214,979 | \$211,206 |

NOTE:

- 1) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000.
- 2) See Note 14 to Consolidated Financial Statements for additional information.

Item 2 - Properties

Electric

Information relating to the Company's electric properties is contained in Item 1 - BUSINESS, THE COMPANY (page 3), CONSTRUCTION PROGRAM (page 5), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 6-7) and Item 8 - Notes 4 and 11 of Notes to Consolidated Financial Statements on pages 30-31 and 38, respectively, which pages are incorporated herein by reference.

Gas

Information relating to the Company's gas properties is contained in Item 1 - BUSINESS, THE COMPANY (page 3), and GAS OPERATIONS AND GAS SUPPLY (page 7) and Note 3 of Notes to Consolidated Financial Statements (page 30), which pages are incorporated herein by reference.

Substantially all property and plant of the Company is subject to the lien of the Mortgage securing the Company's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving the Company is contained in Item 1 - BUSINESS, THE COMPANY (page 3), COMPETITION (pages 3-5), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 6-7), GAS OPERATIONS AND GAS SUPPLY (page 7) and Note 3 of Notes to Consolidated Financial Statements on page 30, RATE REGULATION AND GOVERNMENT LEGISLATION (pages 7-9), ENVIRONMENTAL CONSIDERATIONS (pages 9-11) and Item 8 - Note 4 of Notes to Consolidated Financial Statements on pages 30-31, which pages are incorporated herein by reference.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

PART II**Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters**

The Company's common stock is held solely by DPL Inc. and as a result is not listed for trading on any stock exchange.

The information required by this item of Form 10-K is set forth in Item 8 - Selected Quarterly Information on page 41 and the Financial and Statistical Summary on page 42, which pages are incorporated herein by reference.

As long as any Preferred Stock is outstanding, the Company's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year-end, all earnings reinvested in the business of the Company were available for Common Stock dividends.

Item 6 - Selected Financial Data

The information required by this item of Form 10-K is set forth in Item 8 - Financial and Statistical Summary on page 42, which page is incorporated herein by reference.

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Dayton Power and Light Company ("the Company") reported earnings on common stock before non-recurring and extraordinary items of \$221.0 million in 2000, an increase of 15% over 1999 earnings on common stock of \$191.6 million. This growth came primarily from increased wholesale and retail sales. 1999 earnings on common stock increased 14% over 1998 earnings on common stock of \$168.6 million due to strong cost control efforts.

Several events occurred in 2000 for the Company as it prepared for the deregulation of the energy markets. In the first quarter, the Company expensed \$4.2 million before tax benefits to realign its compensation programs more fully with shareholders' interest. In the third quarter, the Company received an order from the Public Utilities Commission of Ohio ("PUCO") approving its deregulation transition plan, which resulted in an extraordinary charge of \$63.7 million before tax benefits for the elimination of regulatory accounting for the generation business. In the fourth quarter, the Company completed the sale of its natural gas retail distribution operations and reported a pre-tax gain on the sale of \$182.5 million. Each of these non-recurring events affected 2000 financial results as outlined below:

| \$ in millions | 2000 | 1999 | 1998 |
|---|----------------|---------|---------|
| Earnings on Common Stock after non-recurring and extraordinary items | \$297.9 | \$191.6 | \$168.6 |
| Compensation program | 2.7 | | |
| Deregulation order | 41.4 | | |
| Gas operations – gain on sale | (121.0) | | |
| Earnings on Common Stock before non-recurring and extraordinary items | \$221.0 | \$191.6 | \$168.6 |

Income Statement Highlights

| \$ in millions | 2000 | 1999 | 1998 |
|--------------------------------|------------------|-----------|-----------|
| <i>Electric:</i> | | | |
| Revenues (a) | \$1,110.1 | \$1,058.3 | \$1,073.0 |
| Fuel and purchased power | 286.1 | 263.2 | 257.0 |
| Net revenues | 824.0 | 795.1 | 816.0 |
| <i>Gas Utility: (b)</i> | | | |
| Revenues | 183.8 | 215.0 | 211.2 |
| Gas purchased for resale | 116.9 | 129.9 | 127.9 |
| Net revenues | 66.9 | 85.1 | 83.3 |

(a) Electric revenues include merchant electric peaking generation capacity sales.

(b) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000.

In 2000, net electric revenues increased \$28.9 million or 4% as a result of higher wholesale and retail sales. Wholesale revenues increased as a result of increased volume and higher average prices. Colder than normal temperatures in the fourth quarter contributed to the increased retail sales despite unusually mild temperatures throughout the summer. The effect of these increased sales on fuel and purchased power costs were offset by lower fuel expense used in generation (cents per net kilowatt-hour generated decreased 6%). In 1999, net electric revenues decreased 3% as a result of lower wholesale sales and increased purchased power costs.

Net gas utility revenues decreased \$18.2 million or 21% in 2000 compared to 1999 as a result of the sale of the natural gas retail distribution operations, which was completed on October 31, 2000. Net gas utility revenues increased 2% in 1999 as a result of higher sales to business customers.

Operation and maintenance expense decreased 6% as a result of lower benefit costs and gas retail distribution expense, partially offset by higher costs for insurance, claims, uncollectibles, and power production. Operation and maintenance expense decreased 17% in 1999 as a result of lower costs for insurance, claims, labor, benefits, and line clearance. Year to year variances in insurance and claims costs result primarily from adjustments to actuarially-determined reserve requirements for risks insured through a captive insurance company wholly-owned by DPL.

Depreciation and amortization expense decreased 3% in 2000 as a result of the sale of the natural gas retail distribution operations. Depreciation and amortization expense increased 7% in 1999 primarily as a result of increased depreciable assets.

Investment income decreased 52% in 2000 as a result of the November 1999 transfer of the Company's ownership interest in the assets and liabilities of MVE, Inc. to Plaza Building, Inc., which is another wholly-owned subsidiary of DPL. Investment income increased 95% in 1999 as a result of realized gains.

Other income (deductions) in 2000 includes the \$182.5 million gain on the sale of the natural gas retail distribution assets and certain liabilities, partially offset by costs related to the elimination of certain compensation programs and property donations.

Pursuant to deregulation legislation enacted in Ohio and the Order issued in September 2000 by the PUCO, the Company discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with the Financial Accounting Standard Board's ("FASB") Statement of Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71." (See Note 4 to the Consolidated Financial Statements.)

Construction Program and Financing

Construction additions were \$125 million in 2000 and \$80 million in 1999. The capital program for 2001 is approximately \$169 million and includes \$64 million of environmental compliance additions.

During 2000, total cash provided by operating activities was \$286 million. At year-end, cash and temporary cash investments were \$9 million.

Issuance of additional amounts of first mortgage bonds by the Company is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans. The Company currently has sufficient capacity to issue first mortgage bonds to satisfy its requirements in connection with the financing of its construction and refinancing programs during the five-year period 2001-2005. At year-end 2000, the Company's senior debt credit ratings were as follows:

| | |
|--------------------------------|------|
| Fitch..... | AA |
| Standard & Poor's Corp..... | BBB+ |
| Moody's Investors Service..... | A2 |

The credit ratings are investment grade. As a result of DPL's December 2000 press release regarding its exploration of strategic alternatives (see Issues and Financial Risks – Other Matters), Standard & Poor's placed DPL and the Company on credit watch with developing implications in January 2001. Developing implications indicate that ratings could be raised, lowered, or affirmed. Also in January, Moody's placed the ratings of DPL and its affiliates under review. The direction of the review is uncertain at this time, and will be refined as additional information becomes available. On February 15, 2001, DPL announced that with the current volatile electric market environment and renewed emphasis on generation capacity and reliability, DPL would pursue its growth strategy as an independent company based on its regional merchant generation expansion plan. DPL will continue to monitor the market for the strategic deployment and/or purchase of assets that provide the most value to shareholders.

Market Risk

The carrying value of the Company's debt was \$662.4 million at December 31, 2000, consisting of the Company's first mortgage bonds and guaranteed air quality development obligations. The fair value of this debt was \$661.8 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table presents the principal cash repayments and related weighted average interest rates by maturity date for long-term, fixed-rate debt at December 31, 2000.

| Expected Maturity Date | Long-term Debt | |
|------------------------|-------------------------|--------------|
| | Amount (\$ in millions) | Average Rate |
| 2001 | \$ 1.0 | 6.4% |
| 2002 | 1.0 | 6.4% |
| 2003 | 1.0 | 6.4% |
| 2004 | 1.0 | 6.4% |
| 2005 | 1.0 | 6.4% |
| Thereafter | 657.4 | 7.4% |
| Total | <u>\$662.4</u> | 7.4% |
| Fair Value | <u>\$661.8</u> | |

Because the long-term debt is at a fixed rate, the primary market risk to the Company would be short-term interest rate risk. At December 31, 2000, the Company had no short-term debt outstanding, and therefore, no exposure to short-term interest rate risk.

Issues and Financial Risks

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond DPL's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules, and adverse economic conditions.

Electric Restructuring Legislation

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers starting January 1, 2001. Under the legislation, electric generation, aggregation, power marketing and power brokerage services supplied to retail customers in Ohio are deemed competitive and are not subject to supervision and regulation by the PUCO. As required by the legislation, the Company filed its transition plan at the PUCO on December 20, 1999. The Company received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time the Company's generation assets will no longer be subject to Ohio regulation and will be able to sell all capacity in the open energy markets. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million per year; rate certainty for the three year period for customers that continue to purchase power from the Company; guaranteed rates for a six-year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its growth initiatives without regulatory restrictions.

In 1996 and 1997, the Federal Energy Regulatory Commission ("FERC") issued orders requiring all electric utilities to file open-access transmission service tariffs. The Company's resulting tariff case proceedings with FERC staff and intervenors in 1997 and 1998 culminated in 1999 with the FERC issuing an Order approving the Company's settlement with no material adverse effect to the Company. On October 16, 2000 the Company filed with the FERC to join the Alliance Regional Transmission Organization. The Company expects to transfer operational control of its transmission assets to the Alliance when it is complete.

Business Unit Evaluation

Responding to the new Ohio Legislation, the Company is functionally separating its various business units and is evaluating each unit on a stand-alone basis. Business units not complementing DPL's going-forward strategy may be divested.

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction was valued pursuant to an arms-length negotiation and resulted in a pre-tax gain of \$183 million (\$121 million net of tax), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance DPL's regional merchant generation expansion and reduce outstanding short-term debt.

Environmental

In November 1999, the United States Environmental Protection Agency ("US EPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners Cincinnati Gas & Electric Company (Beckjord 6) and Columbus Southern Power Company (Conesville 4) and co-owned by the Company were referenced in these actions.

Numerous northeast states have filed complaints or have indicated that they will be joining the US EPA's action against the partners. The Company was not identified in the NOV's, civil complaints or state actions. In December 2000, Cincinnati Gas & Electric Company announced that it had reached an Agreement in Principle with the US EPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing, and the outcome of these claims or the impact, if any, on the Company has not been determined. In June 2000, the US EPA issued a NOV to J.M. Stuart Station (co-owned by the Company, Cincinnati Gas & Electric Company, and Columbus Southern Power Company) for alleged violations of the CAA. The NOV contained allegations consistent with NOV's and complaints that the US EPA has recently brought against numerous other coal-fired utilities in the Midwest. The Company will vigorously challenge the NOV. At this time, the outcome of these claims or the impact, if any, on the Company is unknown.

The United States and Ohio EPA's have notified numerous parties, including the Company, that they are considered Potentially Responsible Parties ("PRP's") for clean up of two hazardous waste sites in Ohio. The US EPA has estimated total costs of under \$10 million for its preferred clean-up plans at one of these sites. The Company's settlements with the US EPA and the PRP group are pending for the site. The Ohio EPA has not provided an estimated cost for the second site. In October 2000, the PRP group at the second site brought an action against the Company and numerous other parties to recover a portion of the clean-up costs. The Company will vigorously challenge this action. During 1998, the Company settled its potential liability for two other sites at a minimal cost. The final resolution of the remaining investigations is not expected to have a material effect on the Company's financial position, earnings or cash flow.

In September 1998, the US EPA issued a final rule requiring states to modify their State Implementation Plans ("SIP's") under the CAA. The modified SIP's are likely to result in further Nitrogen Oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million over the next three years. Industry groups and others appealed the rules in the United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rules an additional year, until May 31, 2004. In March 2001, the United States Supreme Court refused to hear further appeals of the SIP rules. In December 1999, the US EPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. The Company's current NOx reduction strategy to meet the SIP call is expected to satisfy the rulemaking reduction requirements.

On December 14, 2000, the US EPA issued a determination that coal- and oil-fired electric generating units should be regulated for emissions of mercury and hazardous air pollutants. The US EPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

Other Matters

On December 29, 2000, DPL announced that it had retained the investment banking firm of Morgan Stanley & Co. Incorporated to explore a range of strategic options to maximize shareholder value, including the possible sale of all or part of the company. On February 15, 2001, DPL announced that with the current volatile electric market environment and renewed emphasis on generation capacity and reliability, DPL would pursue its growth strategy as an independent company based on its merchant generation expansion plan. DPL will continue to monitor the market for the strategic deployment and/or purchase of assets that provide the most value to shareholders.

On January 1, 2001, the Company adopted the provisions of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). The impact of adopting SFAS No. 133 was not material to the Company's financial position or results of operations. The FASB's Derivative Implementation Group is currently evaluating the application of SFAS No. 133 to certain electricity contracts. On January 1, 2001, the Company was party to such contracts of which the fair value on that date was not material. Conclusions ultimately reached by the FASB could, however, result in future earnings volatility which may be material.

Item 7A - Quantitative and Qualitative Disclosures about Market Risk

Information relating to Market Risk is contained in Item 7 – Management's Discussion and Analysis (page 18).

Item 8 - Financial Statements and Supplementary Data

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| Consolidated Statement of Results of Operations for the three years in the period ended December 31, 2000 | 23 |
| Consolidated Statement of Cash Flows for the three years in the period ended December 31, 2000 | 24 |
| Consolidated Balance Sheet as of December 31, 2000 and 1999 | 25-26 |
| Consolidated Statement of Shareholder's Equity for the three years in the period ended December 31, 2000 | 27 |
| Notes to Consolidated Financial Statements | 28-40 |
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| Financial and Statistical Summary | 42 |

The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|------------------------|------------------------|
| | 2000 | 1999 | 1998 |
| Revenues | | | |
| Utility service revenues-- | | | |
| Electric..... | \$1,110.1 | \$1,058.3 | \$1,073.0 |
| Gas (Note 3)..... | <u>183.8</u> | <u>215.0</u> | <u>211.2</u> |
| Total utility service revenues | <u>1,293.9</u> | <u>1,273.3</u> | <u>1,284.2</u> |
| Expenses | | | |
| Fuel and purchased power | 286.1 | 263.2 | 257.0 |
| Gas purchased for resale (Note 3)..... | 116.9 | 129.9 | 127.9 |
| Operation and maintenance | 191.1 | 203.9 | 244.3 |
| Depreciation and amortization (Note 1)..... | 130.3 | 134.0 | 125.5 |
| Amortization of regulatory assets, net (Note 4)..... | 16.3 | 24.9 | 33.4 |
| General taxes..... | <u>128.4</u> | <u>136.4</u> | <u>136.2</u> |
| Total expenses..... | <u>869.1</u> | <u>892.3</u> | <u>924.3</u> |
| Operating Income | 424.8 | 381.0 | 359.9 |
| Investment income..... | 10.5 | 21.8 | 11.2 |
| Interest expense | (72.7) | (81.5) | (87.2) |
| Other income (deductions) (Note 3)..... | <u>160.2</u> | <u>(7.7)</u> | <u>(1.4)</u> |
| Income Before Income Taxes and Extraordinary Item.. | 522.8 | 313.6 | 282.5 |
| Income Taxes (Notes 1 and 5)..... | <u>182.6</u> | <u>121.1</u> | <u>113.0</u> |
| Income Before Extraordinary Item..... | 340.2 | 192.5 | 169.5 |
| Extraordinary Item, Net of Tax..... | <u>41.4</u> | <u>-</u> | <u>-</u> |
| Net Income..... | 298.8 | 192.5 | 169.5 |
| Preferred Dividends (Note 7)..... | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| Earnings on Common Stock | \$ <u>297.9</u> | \$ <u>191.6</u> | \$ <u>168.6</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF CASH FLOWS

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 2000 | 1999 | 1998 |
| Operating Activities | | | |
| Cash received from utility customers..... | \$1,297.3 | \$1,280.1 | \$1,258.0 |
| Other operating cash receipts | 22.7 | 30.0 | 15.0 |
| Cash paid for: | | | |
| Fuel and purchased power | (269.9) | (263.8) | (266.5) |
| Purchased gas (Note 3)..... | (156.5) | (135.9) | (138.6) |
| Operation and maintenance labor | (81.1) | (72.8) | (84.0) |
| Nonlabor operating expenditures | (165.9) | (113.8) | (143.3) |
| Interest | (69.2) | (79.2) | (86.0) |
| Income taxes..... | (152.6) | (106.6) | (132.3) |
| General taxes..... | (139.3) | (136.7) | (131.1) |
| Net cash provided by operating activities (Note 13) | <u>285.5</u> | <u>401.3</u> | <u>291.2</u> |
| Investing Activities | | | |
| Capital expenditures | (109.9) | (80.3) | (106.4) |
| Purchases of available-for-sale financial assets | - | (276.9) | (147.7) |
| Sales of available-for-sale financial assets | - | 61.1 | 43.9 |
| Proceeds of sale of natural gas retail distribution | | | |
| operations (Note 3)..... | <u>468.2</u> | <u>-</u> | <u>-</u> |
| Net cash provided by (used for) investing activities... | <u>358.3</u> | <u>(296.1)</u> | <u>(210.2)</u> |
| Financing Activities | | | |
| Dividends paid on common stock..... | (606.4) | (130.3) | (238.8) |
| Issuance (retirement) of short-term debt..... | (123.0) | 112.2 | 100.2 |
| Parent company capital contribution | - | 245.0 | 49.0 |
| Retirement of long-term debt..... | (0.4) | (237.6) | (0.4) |
| Dividends paid on preferred stock..... | (0.9) | (0.9) | (0.9) |
| Net cash used for financing activities | <u>(730.7)</u> | <u>(11.6)</u> | <u>(90.9)</u> |
| Cash and temporary cash investments-- | | | |
| Net change..... | (86.9) | 93.6 | (9.9) |
| Balance at beginning of period | <u>95.5</u> | <u>1.9</u> | <u>11.8</u> |
| Balance at end of period..... | <u>\$ 8.6</u> | <u>\$ 95.5</u> | <u>\$ 1.9</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

| \$ in millions | At December 31, | |
|---|------------------|------------------|
| | 2000 | 1999 |
| Assets | | |
| Property | | |
| Electric property | \$3,522.6 | \$3,440.7 |
| Gas property (Note 3) | - | 332.9 |
| Total property | 3,522.6 | 3,773.6 |
| Accumulated depreciation and amortization | (1,560.4) | (1,602.6) |
| Net property | 1,962.2 | 2,171.0 |
| Current Assets | | |
| Cash and temporary cash investments | 8.6 | 95.5 |
| Accounts receivable, less provision for uncollectible accounts of \$6.8 and \$4.3 respectively | 189.7 | 206.6 |
| Inventories, at average cost | 45.7 | 92.9 |
| Prepaid taxes | 65.4 | 94.6 |
| Other | 35.5 | 66.9 |
| Total current assets | 344.9 | 556.5 |
| Other Assets | | |
| Deferred compensation plan (Note 12) | 171.8 | 116.6 |
| Income taxes recoverable through future revenues (Notes 1 and 4) | 19.8 | 168.5 |
| Other regulatory assets (Note 4) | 146.4 | 53.3 |
| Other assets | 76.4 | 87.6 |
| Total other assets | 414.4 | 426.0 |
| Total Assets | \$2,721.5 | \$3,153.5 |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

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CONSOLIDATED BALANCE SHEET
(continued)

| \$ in millions | At December 31, | |
|--|-------------------------|-------------------------|
| | 2000 | 1999 |
| Capitalization and Liabilities | | |
| Capitalization | | |
| Common shareholder's equity | | |
| Common stock | \$ 0.4 | \$ 0.4 |
| Other paid-in capital | 769.8 | 769.7 |
| Accumulated other comprehensive income | 37.3 | 13.6 |
| Earnings reinvested in the business | <u>205.4</u> | <u>513.9</u> |
| Total common shareholder's equity | 1,012.9 | 1,297.6 |
| Preferred stock (Note 7) | 22.9 | 22.9 |
| Long-term debt (Note 8) | <u>666.5</u> | <u>661.2</u> |
| Total capitalization | <u>1,702.3</u> | <u>1,981.7</u> |
| Current Liabilities | | |
| Short-term debt (Note 9) | - | 123.1 |
| Accounts payable | 103.9 | 126.2 |
| Accrued taxes | 220.0 | 164.2 |
| Accrued interest | 19.1 | 19.7 |
| Other | <u>14.3</u> | <u>60.9</u> |
| Total current liabilities | <u>357.3</u> | <u>494.1</u> |
| Deferred Credits And Other | | |
| Deferred taxes (Note 5) | 429.9 | 453.9 |
| Unamortized investment tax credit | 60.2 | 66.3 |
| Deferred compensation | 113.6 | 97.2 |
| Other | <u>58.2</u> | <u>60.3</u> |
| Total deferred credits and other | <u>661.9</u> | <u>677.7</u> |
| Total Capitalization and Liabilities | <u>\$2,721.5</u> | <u>\$3,153.5</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

| \$ in millions | Common Stock (a) | | Other Paid-In Capital | Accumulated Other Comprehensive Income | Earnings Reinvested in the Business | Total |
|--|-----------------------|--------|--------------------------|---|--|-----------|
| | Outstanding Shares | Amount | | | | |
| 1998: | | | | | | |
| Beginning balance | 41,172,173 | \$0.4 | \$739.1 | \$20.3 | \$521.0 | \$1,280.8 |
| Comprehensive income: | | | | | | |
| Net income | | | | | 169.5 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 13.3 | | |
| Total comprehensive income | | | | | | 182.8 |
| Common stock dividends | | | | | (238.8) | (238.8) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 49.0 | | | 49.0 |
| Other | | | 0.1 | | - | 0.1 |
| Ending balance | 41,172,173 | \$0.4 | \$788.2 | \$33.6 | \$450.8 | \$1,273.0 |
| 1999: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 192.5 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 4.1 | | |
| Total comprehensive income | | | | | | 196.6 |
| Common stock dividends | | | | | (129.7) | (129.7) |
| Dividend-in-kind (c) (Note 1) | | | | (24.1) | | (24.1) |
| Dividend-in-kind (Note 1) | | | (263.6) | | 1.4 | (262.2) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 245.0 | | | 245.0 |
| Other | | | 0.1 | | (0.2) | (0.1) |
| Ending balance | 41,172,173 | \$0.4 | \$769.7 | \$13.6 | \$513.9 | \$1,297.6 |
| 2000: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 298.8 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 23.7 | | |
| Total comprehensive income | | | | | | 322.5 |
| Common stock dividends | | | | | (606.4) | (606.4) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Other | | | 0.1 | | | 0.1 |
| Ending balance | 41,172,173 | \$0.4 | \$769.8 | \$37.3 | \$205.4 | \$1,012.9 |

(a) 50,000,000 shares authorized.

(b) Net of taxes of \$7.2, \$2.2 and \$12.8 million in 1998, 1999, and 2000, respectively.

(c) Net of taxes of \$13.1 million in 1999.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**1. Summary of Significant Accounting Policies**

The Dayton Power and Light Company ("the Company") is a wholly-owned subsidiary of DPL Inc. ("DPL"). The accounts of the Company and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. In 1999, the Company transferred its ownership interests in the assets and liabilities of MacGregor Park, Inc. and DP&L Community Urban Redevelopment Corporation to DPL and transferred its ownership interests in the assets and liabilities of MVE, Inc. to Plaza Building Inc., which is another wholly-owned subsidiary of DPL, via dividends-in-kind and a repayment of inter-company debt. Total assets and liabilities transferred were \$470.1 million and \$19.0 million, respectively.

These statements are presented in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions related to future events. Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation. The consolidated financial statements principally reflect the results of operations and financial condition of the Company. DPL and its other wholly-owned subsidiaries provide certain administrative services to the Company. These costs were \$6.1 million in 2000, \$12.5 million in 1999, and \$20.1 million in 1998. The primary service provided by the subsidiaries is insurance. The cost of service is either specifically identified with the Company or allocated based upon the relationships of payroll, revenue and/or property. Management considers the cost of service as reasonable and what would have been incurred on a stand-alone basis.

Revenues and Fuel

Revenues include amounts charged to customers through fuel and gas recovery clauses, which were adjusted periodically for changes in such costs. Related costs that were recoverable or refundable in future periods are deferred along with the related income tax effects. As of February 2000, the Company's Electric Fuel Component ("EFC") was fixed at 1.30¢ per kilowatt-hour through the end of the year and the deferral of over/under-recovered fuel costs was no longer permitted. All remaining deferred fuel balances were amortized to expense in 2000. All gas deferred amounts were included in the sale of the natural gas retail distribution operations (see Note 3). Beginning January 1, 2001, the EFC rate of 1.30¢ became part of the base generation rate. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

The Company records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of \$53.5 million in 2000 and \$76.2 million in 1999.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

For the majority of the depreciable property, when a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.5%.

The Company leases office equipment and office space under operating leases with varying terms. Future rental payments under these operating leases at December 31, 2000 are not material.

Repairs and Maintenance

Costs associated with all planned major work and maintenance activities, primarily power plant outages, are recognized at the time the work is performed. These costs are either capitalized or expensed based on Company defined criteria. Outage costs include labor, materials and supplies and outside services required to maintain the Company's equipment and facilities.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. For rate-regulated business units, additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits, previously deferred, are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

The temporary cash investments consist of liquid investments with an original maturity of three months or less.

2. Recent Accounting Standard

On January 1, 2001, the Company adopted the provisions of the Financial Accounting Standard Board's ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). The impact of adopting SFAS No. 133 was not material to the Company's financial position or results of operations. The FASB's Derivative Implementation Group is currently evaluating the application of SFAS No. 133 to certain electricity contracts. On January 1, 2001, the Company was party to such contracts of which the fair value on that date was not material. Conclusions ultimately reached by the FASB could, however, result in future earnings volatility which may be material.

3. Sale of the Gas Business

In October 2000, the Company completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction was valued pursuant to an arms-length negotiation and resulted in a pre-tax gain of \$183 million (\$121 million net of taxes), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance the regional merchant generation expansion and reduce outstanding short-term debt.

4. Regulatory Matters

The Company applies the provisions of the FASB Statement No. 71, "Accounting for the Effects of Certain Types of Regulation" to its regulated operations. This accounting standard provides for the deferral of costs authorized for future recovery by regulators. Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| \$ in million | At December 31, | |
|---|-----------------|----------------|
| | 2000 | 1999 |
| Income taxes recoverable through future revenues (b)..... | \$ 19.8 | \$168.5 |
| Regulatory transition costs (a)..... | 144.8 | - |
| Other costs (b)..... | 1.6 | 53.3 |
| Total | <u>\$166.2</u> | <u>\$221.8</u> |

(a) During 1999, legislation was enacted in Ohio, which restructures the state's electric utility industry ("the Legislation"). Beginning in 2001, electric generation, aggregation, power marketing and power brokerage services applied to Ohio retail customers are not subject to regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the Legislation, the Company filed its transition plan ("the Plan") at the PUCO in 1999, which included an application for the Company to receive transition revenues to recover regulatory assets and other potentially stranded costs. Final PUCO approval of the Plan was received in September 2000.

The Plan, which began in January 2001, provides for a three-year transition period ("the transition period") ending December 31, 2003, at which time the Company's generation business unit will be fully merchant. As a result of the PUCO final approval of the transition plan and tariff schedules, the application of SFAS No. 71 was discontinued for generation-related assets. Transmission and distribution services, which continue to be regulated based on PUCO-approved cost based rates, continue to apply SFAS No. 71. The Plan, as approved, provides for the recovery of a portion of the Company's transition costs, including generation-related regulatory assets, during the transition period. Based on the Company's assessment of recoveries of regulatory assets during the transition period, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with FASB Statement of Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71" and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate primarily to the Company's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

5. Income Taxes

| \$ in millions | For the years ended December 31, | | |
|---|-------------------------------------|----------------|----------------|
| | 2000 | 1999 | 1998 |
| Computation of Tax Expense | | | |
| Federal income tax (a)..... | \$183.0 | \$109.7 | \$ 98.9 |
| Increases (decreases) in tax from -- | | | |
| Regulatory assets..... | - | 4.4 | 4.0 |
| Depreciation | 6.5 | 13.1 | 12.5 |
| Investment tax credit amortized..... | (6.1) | (3.0) | (3.0) |
| Other, net..... | (0.8) | (3.1) | 0.6 |
| Total tax expense..... | <u>\$182.6</u> | <u>\$121.1</u> | <u>\$113.0</u> |
| Components of Tax Expense | | | |
| Taxes currently payable..... | \$243.0 | \$107.2 | \$129.2 |
| Deferred taxes-- | | | |
| Regulatory assets..... | (13.3) | (5.8) | (8.3) |
| Liberalized depreciation and amortization | (29.3) | 5.8 | 5.9 |
| Fuel and gas costs | (7.1) | 9.2 | (5.8) |
| Other..... | (4.6) | 7.7 | (5.0) |
| Deferred investment tax credit, net..... | (6.1) | (3.0) | (3.0) |
| Total tax expense..... | <u>\$182.6</u> | <u>\$121.1</u> | <u>\$113.0</u> |

(a) The statutory rate of 35% was applied to pre-tax income.

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Components of Deferred Tax Assets and Liabilities

| \$ in millions | At December 31, | |
|--|-------------------------|------------------|
| | 2000 | 1999 |
| Non-Current Liabilities | | |
| Depreciation/property basis..... | \$(403.8) | \$(428.0) |
| Income taxes recoverable | (17.3) | (59.0) |
| Regulatory assets | (50.6) | (16.3) |
| Investment tax credit | 21.1 | 23.2 |
| Other | <u>20.7</u> | <u>26.2</u> |
| Net non-current liability | <u>\$(429.9)</u> | <u>\$(453.9)</u> |
| Net Current Asset (Liability) | <u>\$ 11.1</u> | <u>\$ (9.9)</u> |

6. Pensions and Postretirement Benefits

Pensions

Substantially all Company employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age, compensation and year of retirement. The plans are funded in amounts actuarially determined to provide for these benefits.

The following tables set forth the plans' obligations, assets and amounts recorded in Other assets on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2000 | 1999 |
|---|----------------------|---------------|
| Change in Projected Benefit Obligation | | |
| Benefit obligation, January 1 | \$ 272.8 | \$ 269.2 |
| Service cost | 5.1 | 5.9 |
| Interest cost | 18.9 | 16.2 |
| Amendments | 21.1 | - |
| Curtailment (a) | (3.1) | - |
| Actuarial (gain) loss | (26.6) | (3.8) |
| Benefits paid | <u>(14.5)</u> | <u>(14.7)</u> |
| Benefit obligation, December 31 | <u>273.7</u> | <u>272.8</u> |

| \$ in millions | 2000 | 1999 |
|---|----------------|----------------|
| Change in Plan Assets | | |
| Fair value of plan assets, January 1 | 421.3 | 358.9 |
| Actual return on plan assets | (45.5) | 77.0 |
| Benefits paid | (14.5) | (14.6) |
| Fair value of plan assets, December 31 | <u>361.3</u> | <u>421.3</u> |
| Plan assets in excess of projected benefit obligation | | |
| Actuarial gain | 87.6 | 148.5 |
| Unamortized prior service cost | (45.8) | (101.8) |
| Unamortized transition obligation | 23.2 | 9.8 |
| Net pension assets | - | (2.8) |
| | <u>\$ 65.0</u> | <u>\$ 53.7</u> |

(a) The curtailment was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

Assumptions used in determining the projected benefit obligation were as follows:

| | 2000 | 1999 | 1998 |
|--------------------------------------|--------|-------|-------|
| Discount rate for obligations | 7.25 % | 6.25% | 6.25% |
| Expected return on plan assets | 9.00 % | 7.50% | 7.50% |
| Average salary increases | 5.00 % | 5.00% | 5.00% |

The following table sets forth the components of pension expense (portions of which were capitalized):

| \$ in millions | 2000 | 1999 | 1998 |
|--|------------------|-----------------|-----------------|
| Expense for Year | | | |
| Service cost | \$ 5.1 | \$ 5.9 | \$ 5.9 |
| Interest cost | 18.9 | 16.2 | 15.9 |
| Expected return on plan assets | (33.9) | (25.3) | (23.3) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (5.0) | (0.5) | 1.2 |
| Prior service cost | 4.2 | 2.1 | 2.1 |
| Transition obligation | (2.8) | (4.3) | (4.2) |
| Net pension cost | (13.5) | (5.9) | (2.4) |
| Curtailment (a) | 2.1 | - | - |
| Net pension cost after curtailment ... | <u>\$ (11.4)</u> | <u>\$ (5.9)</u> | <u>\$ (2.4)</u> |

(a) The curtailment was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. The Company has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust.

The following tables set forth the accumulated postretirement benefit obligation ("APBO"), assets and funded status amounts recorded in Other Deferred Credits on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2000 | 1999 |
|--|----------------|----------------|
| Change in APBO | | |
| Benefit obligation, January 1 | \$ 32.4 | \$ 32.9 |
| Interest cost | 2.2 | 2.0 |
| Curtailment (a) | (0.1) | - |
| Actuarial (gain) loss | (1.0) | 0.2 |
| Benefits paid | (2.7) | (2.7) |
| Benefit obligation, December 31 | <u>30.8</u> | <u>32.4</u> |
| Change in Plan Assets | | |
| Fair value of plan assets, January 1 | 10.9 | 12.4 |
| Actual return on plan assets | 1.0 | (0.3) |
| Company contributions | 1.7 | 1.4 |
| Benefits paid | (2.7) | (2.6) |
| Fair value of plan assets, December 31 | <u>10.9</u> | <u>10.9</u> |
| APBO in excess of plan assets | 19.9 | 21.5 |
| Unamortized transition obligation | (6.9) | (10.0) |
| Actuarial gain | 21.8 | 22.7 |
| Accrued postretirement benefit liability | <u>\$ 34.8</u> | <u>\$ 34.2</u> |

(a) The curtailment was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

Assumptions used in determining the projected benefit obligation were as follows:

| | 2000 | 1999 | 1998 |
|-------------------------------------|-------|-------|-------|
| Discount rate for obligations | 7.25% | 6.25% | 6.25% |
| Expected return on plan assets .. | 7.00% | 5.70% | 5.70% |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.5% and 8.0% for 2000 and 1999, respectively, and decreases to 5.0% by 2005. A one percentage point change in the assumed health care trend rate would affect the service and interest cost by \$0.1 million. A one percentage point increase in the assumed health care trend rate would increase the postretirement benefit obligation by \$2.0 million; and a one percentage point decrease would decrease the benefit obligation by \$1.6 million.

The following table sets forth the components of postretirement benefit expense:

| \$ in millions | 2000 | 1999 | 1998 |
|--|---------------|---------------|---------------|
| Expense for Year | | | |
| Interest cost | \$ 2.2 | \$ 2.0 | \$ 2.0 |
| Expected return on plan assets | (0.7) | (0.7) | (1.0) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (2.2) | (2.4) | (2.2) |
| Transition obligation | 2.9 | 3.0 | 3.0 |
| Postretirement benefit cost | 2.2 | 1.9 | 1.8 |
| Curtailment (a) | 0.1 | - | - |
| Postretirement benefit cost after curtailment... | <u>\$ 2.3</u> | <u>\$ 1.9</u> | <u>\$ 1.8</u> |

(a) The curtailment was recognized as a result of the completion of the sale of the natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

7. Preferred Stock

\$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series | Rate | Current Redemption Price | Current Shares Outstanding | Par Value At December 31, 2000 and 1999 (\$ in millions) |
|--------|-------|--------------------------------|----------------------------------|--|
| A | 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B | 3.75% | \$103.00 | 69,398 | 7.0 |
| C | 3.90% | \$101.00 | <u>65,830</u> | <u>6.6</u> |
| Total | | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of the Company at the per share prices indicated, plus cumulative accrued dividends.

8. Long-term Debt

| \$ in millions | At December 31, | |
|---|-----------------------|----------------|
| | 2000 | 1999 |
| First mortgage bonds maturing: | | |
| 2024-2026 8.01% (a) | \$446.0 | \$446.0 |
| Pollution control series maturing through 2027 6.43% (a) .. | 106.0 | 106.4 |
| | <u>552.0</u> | <u>552.4</u> |
| Guarantee of Air Quality Development Obligations | | |
| 6.10% Series Due 2030 | 110.0 | 110.0 |
| Obligation for capital lease | 4.9 | - |
| Unamortized debt discount and premium (net)..... | (0.4) | (1.2) |
| Total | <u>\$666.5</u> | <u>\$661.2</u> |

(a) *Weighted average interest rate for 2000 and 1999.*

The amounts of maturities and mandatory redemptions for first mortgage bonds, notes, and the capital lease are \$1.0 million per year in 2001 through 2005. Substantially all property of the Company is subject to the mortgage lien securing the first mortgage bonds.

9. Notes Payable and Compensating Balances

DPL and its subsidiaries have up to \$300 million available through revolving credit agreements with a consortium of banks. A \$200 million agreement expires in 2001 and the other, for up to \$100 million, also expires in 2001. Facility fees are approximately \$500,000 per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the commercial paper program. At December 31, 2000 and 1999, DPL had no outstanding borrowings under these credit agreements.

The Company also has \$75.0 million available in short-term informal lines of credit. The commitment fees are immaterial. Borrowings at December 31, 2000 and 1999 were zero.

The Company had no outstanding commercial paper balances at year-end 2000 and \$123.1 million in commercial paper outstanding at a weighted average interest rate of 5.9% at December 31, 1999.

10. Employee Stock Plans

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In 2000, DPL's Board of Directors adopted and its shareholders approved the DPL Inc. Stock Option Plan, which serves as the primary long-term incentive program for Company executives and directors. On February 1, 2000, options were granted at an exercise price of \$21.00, which was above the market price of \$19.06 per share on that date. The exercise price of options granted after that date approximated the market price of the stock on the date of grant. Options granted represent three-year awards, vest five years from the grant date, and expire ten years from the grant date. At December 31, 2000, there were 390,000 options available for grant.

Summarized stock option activity was as follows:

| | 2000 |
|---|------------------|
| Options granted at beginning of year | - |
| Granted | 7,610,000 |
| Exercised | - |
| Expired | - |
| Outstanding at year-end | 7,610,000 |
| Exercisable at year-end | - |
| Weighted average option prices per share: | |
| At beginning of year | \$ - |
| Granted | 22.10 |
| Exercised | - |
| Expired | - |
| Outstanding at year-end | 22.10 |
| Exercisable at year-end | \$ - |

The weighted-average fair value of options granted was \$3.65 per share in 2000. The fair values of options were estimated as of the date of grant using a Black-Scholes option pricing model. The weighted averages for the assumptions used in determining the fair values of options granted in 2000 were as follows: expected lives of 5.1 years, expected volatility of 18.5%, a dividend yield of 3.5%, and a risk-free interest rate of 6.8%.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, compensation expense of \$2.3 million was recorded for grants issued prior to the measurement date for accounting purposes. If the Company had used a fair-value method of accounting for stock-base compensation cost, reported earnings on common stock for 2000 would have been \$296.4 million.

The following table reflects information about stock options outstanding at December 31, 2000:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | | Options Exercisable | |
|--------------------------|--------------------|--|---------------------------------|---------------------|---------------------------------|
| | | Weighted-Average Contractual Life (in years) | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| \$21.00-\$29.63 | 7,610,000 | 9.2 | \$22.10 | - | - |

11. Ownership of Facilities

The Company and other Ohio utilities have undivided ownership interests in seven electric generating facilities and numerous transmission facilities. Certain expenses, primarily fuel costs for the generating units, are allocable to the owners based on their energy usage. The remaining expenses, as well as investments in fuel inventory, plant materials and operating supplies, and capital additions, are allocated to the owners in accordance with their respective ownership interests. As of December 31, 2000, the Company had \$47 million of construction in progress at such facilities. The Company's share of the operating cost of such facilities is included in the Consolidated Statement of Results of Operations, and its share of the investment in the facilities is included in the Consolidated Balance Sheet.

The following table presents the Company's undivided ownership interest in such facilities at December 31, 2000:

| | Company Share | | Company Investment |
|--|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Beckjord Unit 6..... | 50.0 | 210 | 56 |
| Conesville Unit 4 | 16.5 | 129 | 31 |
| East Bend Station | 31.0 | 186 | 152 |
| Killen Station | 67.0 | 418 | 381 |
| Miami Fort Units 7 & 8 | 36.0 | 360 | 125 |
| Stuart Station | 35.0 | 823 | 256 |
| Zimmer Station..... | 28.1 | 365 | 993 |
| Transmission (at varying percentages)..... | | | 70 |

12. Fair Value of Financial Instruments

| | | At December 31, | | | | | | |
|---|------------|------------------|--------|----------|------------|------------------|---------|---------|
| | | 2000 | | | | 1999 | | |
| | | Gross Unrealized | | | | Gross Unrealized | | |
| \$ in millions | Fair Value | Gains | Losses | Cost | Fair Value | Gains | Losses | Cost |
| Assets | | | | | | | | |
| Available-for-sale equity securities... | \$ 122.9 | \$ 58.2 | \$ - | \$ 64.7 | \$ 62.4 | \$20.7 | - | \$ 41.7 |
| Held-to-maturity securities: | | | | | | | | |
| Debt securities (a) | \$ 50.2 | 0.8 | - | \$ 49.4 | \$ 45.8 | - | \$(1.1) | \$ 46.9 |
| Temporary cash investments..... | 11.0 | - | - | 11.0 | 82.0 | - | - | 82.0 |
| Total | \$ 61.2 | \$ 0.8 | \$ - | \$ 60.4 | \$127.8 | - | \$(1.1) | \$128.9 |
| Liabilities (b) | | | | | | | | |
| Debt | \$ 661.8 | | | \$ 662.4 | \$774.4 | | | \$784.7 |

(a) Maturities range from 1999 to 2010.

(b) Includes current maturities.

Gross realized gains (losses) were \$0.1 and \$(0.5) million in 2000, \$12.4 and \$(1.0) million in 1999, and \$6.3 million and no losses in 1998, respectively.

13. Reconciliation of Net Income to Net Cash Provided by Operating Activities

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|---------|---------|
| | 2000 | 1999 | 1998 |
| Net income | \$298.8 | \$192.5 | \$169.5 |
| Adjustments: | | | |
| Depreciation and amortization..... | 130.3 | 134.0 | 125.5 |
| Noncash extraordinary item, net of tax..... | 41.4 | - | - |
| Gain on sale of natural gas retail distribution | (182.5) | - | - |
| Deferred income taxes..... | (60.5) | 13.9 | (16.2) |
| Other deferred credits..... | 22.5 | 3.7 | 15.4 |
| Amortization of regulatory assets, net..... | 16.3 | 25.8 | 33.0 |
| Operating expense provisions | 26.9 | (10.3) | 10.0 |
| Accounts receivable..... | (5.4) | 12.6 | (13.5) |
| Accounts payable..... | (36.7) | 24.8 | (21.0) |
| Accrued taxes payable | 63.5 | 3.3 | 3.1 |
| Inventory | (5.8) | 19.3 | (25.1) |
| Other | (23.3) | (18.3) | 10.5 |
| Net cash provided by operating activities..... | \$285.5 | \$401.3 | \$291.2 |

14. Business Segment Reporting

The Company sells and distributes electricity to residential, commercial, industrial and governmental customers within a 6,000 square mile service territory. The Company also sold and distributed natural gas until October 31, 2000, at which time the Company completed the sale of its natural gas retail distribution assets and certain liabilities (see Note 3).

For purposes of the segment disclosure required by the FASB Statement No. 131, "Disclosure About Segments of an Enterprise and Related Information," the Company's results are classified in two segments, electric and natural gas.

| SEGMENT INFORMATION | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|
| Electric | | | |
| Revenue from external customers | \$1,110.1 | \$1,058.3 | \$1,073.0 |
| Intersegment revenues | - | 2.2 | 2.5 |
| Depreciation and amortization | 122.9 | 125.9 | 118.0 |
| Earnings before interest, taxes, and extraordinary item | 407.7 | 352.7 | 336.2 |
| Segment assets | 2,516.1 | 2,584.0 | 2,702.1 |
| Expenditures – construction additions | 117.8 | 69.9 | 101.1 |
| Natural Gas (a) | | | |
| Revenue from external customers | 183.8 | 215.0 | 211.2 |
| Intersegment revenues | 1.9 | 3.9 | 2.8 |
| Depreciation and amortization | 7.4 | 8.1 | 7.5 |
| Earnings before interest, taxes, and extraordinary item | 24.2 | 27.2 | 23.9 |
| Segment assets | - | 321.7 | 322.7 |
| Expenditures – construction additions | 7.1 | 9.6 | 9.7 |
| Total | | | |
| Revenue from external customers | 1,293.9 | 1,273.3 | 1,284.2 |
| Intersegment revenues | 1.9 | 6.1 | 5.3 |
| Depreciation and amortization | 130.3 | 134.0 | 125.5 |
| Operating income before unallocated corporate expenses | 431.9 | 379.9 | 360.1 |
| Segment assets | 2,516.1 | 2,905.7 | 3,024.8 |
| Expenditures – construction additions | 124.9 | 79.5 | 110.8 |
| RECONCILIATION (b) | | | |
| Profit or Loss | | | |
| Operating income before unallocated corporate expenses | \$ 431.9 | \$ 379.9 | \$ 360.1 |
| Unallocated corporate expenses | (7.1) | 1.1 | (0.2) |
| Investment income | 10.5 | 21.8 | 11.2 |
| Other income and deductions | 160.2 | (7.7) | (1.4) |
| Interest expense | (72.7) | (81.5) | (87.2) |
| Income before income taxes | \$ 522.8 | \$ 313.6 | \$ 282.5 |
| Assets | | | |
| Total segment assets | \$2,516.1 | \$2,905.7 | \$3,024.8 |
| Unallocated corporate assets | 205.4 | 247.8 | 387.6 |
| Total assets | \$2,721.5 | \$3,153.5 | \$3,412.4 |

(a) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000 (see Note 3).

(b) For categories not reconciled above, segment totals equal consolidated totals.

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SELECTED QUARTERLY INFORMATION (Unaudited)

| \$ in millions | March 31, | | June 30, | | September 30, | | December 31, | |
|--|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| Utility service revenues | \$361.0 | \$362.9 | \$293.9 | \$277.2 | \$337.2 | \$319.8 | \$301.8 | \$313.4 |
| Income before income taxes and extraordinary item | 88.1 | 116.3 | 73.5 | 58.2 | 104.4 | 94.3 | 256.8 | 44.8 |
| Income before extraordinary item | 88.1 | 71.8 | 73.5 | 36.9 | 67.0 | 56.3 | 111.6 | 27.5 |
| Net income | 56.1 | 71.8 | 47.1 | 36.9 | 25.6 | 56.3 | 170.0 | 27.5 |
| Earnings on common stock | 55.9 | 71.6 | 46.9 | 36.7 | 25.4 | 56.1 | 169.7 | 27.2 |
| Cash dividends paid | - | 55.8 | 102.5 | 26.0 | 87.1 | - | 416.8 | 48.5 |

FINANCIAL AND STATISTICAL SUMMARY (Unaudited)

| | | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|----|---------------|---------------|---------------|---------------|---------------|
| For the years ended December 31, | | | | | | |
| Utility service revenues (millions) | \$ | 1,293.9 | 1,273.3 | 1,284.2 | 1,254.4 | 1,258.4 |
| Earnings on common stock (millions) | \$ | 297.9 | 191.6 | 168.6 | 171.1 | 163.9 |
| Cash dividends paid (millions) | \$ | 606.4 | 130.3 | 238.8 | 118.5 | 138.3 |
| Electric sales (millions of kWh)—(a) | | | | | | |
| Residential | | 4,816 | 4,725 | 4,790 | 4,788 | 4,924 |
| Commercial | | 3,539 | 3,390 | 3,518 | 3,408 | 3,407 |
| Industrial | | 4,851 | 4,876 | 4,655 | 4,749 | 4,540 |
| Other | | <u>4,317</u> | <u>3,876</u> | <u>4,518</u> | <u>3,664</u> | <u>3,443</u> |
| Total | | 17,523 | 16,867 | 17,481 | 16,609 | 16,314 |
| Gas sales (thousands of MCF)-- (b) | | | | | | |
| Residential | | 18,538 | 24,450 | 24,877 | 29,277 | 31,087 |
| Commercial | | 5,838 | 7,647 | 7,433 | 9,567 | 9,424 |
| Industrial | | 2,034 | 2,246 | 1,916 | 2,520 | 3,404 |
| Other | | 776 | 1,182 | 1,699 | 2,153 | 2,829 |
| Transported gas | | <u>16,105</u> | <u>20,190</u> | <u>17,788</u> | <u>18,523</u> | <u>16,953</u> |
| Total | | 43,291 | 55,715 | 53,713 | 62,040 | 63,697 |
| At December 31, | | | | | | |
| Total assets (millions) | \$ | 2,721.5 | 3,153.5 | 3,412.4 | 3,326.8 | 3,243.2 |
| Long-term debt (millions) | \$ | 666.5 | 661.2 | 885.6 | 886.0 | 926.3 |
| First mortgage bond ratings-- | | | | | | |
| Fitch | | AA | AA | AA | AA | AA |
| Standards & Poor's Corporation | | BBB+ | AA- | AA- | AA- | AA- |
| Moody's Investors Service | | A2 | Aa3 | Aa3 | Aa3 | Aa3 |
| Number of Preferred Shareholders | | 471 | 509 | 559 | 625 | 684 |

(a) "Other" electric sales include merchant electric peaking generation capacity sales.

(b) The Company completed the sale of its natural gas retail distribution assets and certain liabilities in October 31, 2000.

To the Board of Directors and Shareholder of The Dayton Power and Light Company

In our opinion, the consolidated financial statements listed in the index, appearing under Item 14(a)(1) on page 53, present fairly, in all material respects, the financial position of The Dayton Power and Light Company at December 31, 2000 and 1999, and the results of its operations and cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 53, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Dayton, Ohio
January 29, 2001

Item 9 - **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

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None.

PART III

Item 10 - **Directors and Executive Officers of the Registrant**

Directors of the Registrant

The Board is presently authorized to consist of eleven directors. These directors are also directors of DPL Inc., the holding company of the Company. The directors are to be elected this year to serve until the Annual Meeting of Shareholders in 2002 or until their successors are duly elected and qualified. Should any nominee become unable to accept nomination or election, the Board will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee.

The following information regarding the nominees is based on information furnished by them:

| | Director Since |
|---|-------------------|
| THOMAS J. DANIS, Age 51 Chairman and Chief Executive Officer, The Danis Companies, Dayton, Ohio, construction, real estate and environmental services. Trustee: Miami Valley Research Park Foundation. | 1989 |
| JAMES F. DICKE, II, Age 55 President, Crown Equipment Corporation, New Bremen, Ohio, international manufacturer and distributor of electric lift trucks and material handling products. Director: Regional Boys and Girls Clubs of America, Anderson-Cooke, Inc., Dayton Art Institute, Gulf States Paper Co. Chairman: Trinity University Board of Trustees. Secretary: Culver Educational Foundation. | 1990 |
| PETER H. FORSTER, Age 58 Chairman, DPL Inc. and The Dayton Power and Light Company. Chairman: Miami Valley Research Foundation. Director: Amcast Industrial Corp. Trustee: F. M. Tait Foundation. | 1979 |
| ERNIE GREEN, Age 62 President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio, automotive components manufacturer. Director: Pitney Bowes Inc., Eaton Corp. | 1991 |

| | Director Since |
|---|-------------------|
| JANE G. HALEY, Age 70 President and Chief Executive Officer, Gosiger, Inc., Dayton, Ohio, national importer and distributor of machine tools. Director: The Ultra-Met Company, Urbana, Ohio, ONA America, Dayton, Ohio. Trustee: University of Dayton, Chaminade-Julienne High School, Dayton, Ohio. Member Miami Valley Economic Development Coalition. | 1978 |
| ALLEN M. HILL, Age 55 President and Chief Executive Officer, DPL Inc. and The Dayton Power and Light Company. Director: Fifth Third BankCorp, Premier Health Partners. Trustee: Dayton Business Committee, The University of Dayton, Air Force Museum Foundation, Alliance Community Schools. | 1989 |
| W AUGUST HILLENBRAND, Age 60 Director, Hillenbrand Industries, Batesville, Indiana, a diversified public holding company with three wholly-owned and autonomously operated subsidiaries manufacturing caskets, hospital furniture, hospital supplies and providing funeral planning services. Director: Forecorp, Inc., Forethought Life Insurance Company, Hon Industries. Trustee: National Committee for Quality Health Care, Batesville Girl Scouts. Trustee Emeritus: Denison University. | 1992 |
| DAVID R. HOLMES, Age 60 Chairman, The Reynolds and Reynolds Company, Dayton, Ohio, information management systems. Director: NCR Corporation, Dayton, Ohio. Advisor: J. L. Kellogg Graduate School of Management, Northwestern University. Member: Dayton Business Committee, Downtown Dayton Partnership. | 1994 |

| | Director Since |
|--|-------------------|
| BURNELL R. ROBERTS, Age 73 Retired Chairman of the Board and Chief Executive Officer, The Mead Corporation, Dayton, Ohio, forest products producer. Principal: Pembroke Associates. Director: Rayonier, Inc., p4A.com Ltd. Trustee: Granum Value Fund. | 1987 |
| GEORGE R. ROBERTS, Age 57 Partner, Kohlberg Kavis Roberts & Co. L.P. and Managing Member of KKR & Co. LLC, New York City, investment company. Director: Accuride Corporation, Amphenol Corporation, Borden, Inc., The Boyds Collection, Ltd., Evenflo Company Inc., IDEX Corporation, KinderCare Learning Center, Inc., KSL Recreation Group, Inc., Owens-Illinois, Inc., PRIMEDIA, Inc., Safeway Inc., Spalding Holdings Corporation. Trustee: Claremont McKenna College, Culver Military Academy. Member: San Francisco Symphony, San Francisco Ballet, Fine Arts Museum. | 2000 |
| SCOTT M. STUART, Age 41 Member, KKR & Co. LLC, New York City, investment company. Director: AEP Industries Inc., Borden, Inc., The Boyds Collection, Ltd., KSL Recreation Corp. Board Member: The Boys Club of New York, Greenwich Country Day School, WNET/Channel 13. | 2000 |

EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 2001)

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| Name | Age | Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated) | Dates |
|------------------------|-----|--|--------------------|
| Allen M. Hill | 55 | President and Chief Executive Officer | 4/06/92 - 3/01/01 |
| | | President and Chief Executive Officer, DPL Inc. | 1/01/97 - 3/01/01 |
| | | President and Chief Operating Officer, DPL Inc. | 9/26/95 - 1/01/97 |
| Stephen F. Koziar, Jr. | 56 | Group Vice President and Secretary, DPL Inc. and the Company | 1/31/95 - 3/01/01 |
| Elizabeth M. McCarthy | 41 | Vice President and Chief Financial Officer, DPL Inc. and the Company | 9/26/00 - 3/01/01 |
| | | Vice President and Chief Accounting Officer, DPL Inc. and the Company | 4/01/00 - 9/26/00 |
| | | Partner, PricewaterhouseCoopers LLP, New York, NY | 7/01/94 - 3/31/00 |
| Arthur G. Meyer | 50 | Vice President, Legal and Corporate Affairs | 11/21/97 - 3/01/01 |
| | | Director, Corporate Relations | 5/14/96 - 11/21/97 |
| | | Treasurer | 6/27/95 - 5/14/96 |
| Bryce W. Nickel | 44 | Assistant Vice President | 1/01/94 - 3/01/01 |
| H. Ted Santo | 50 | Group Vice President | 12/08/92 - 3/01/01 |
| Patricia K. Swanke | 41 | Vice President, Operations | 9/29/99 - 3/01/01 |
| | | Managing Director | 9/08/96 - 9/29/99 |
| | | Operations Director | 7/27/95 - 9/08/96 |
| Judy Wyatt | 49 | Group Vice President, DPL Inc. and the Company | 1/31/95 - 3/01/01 |

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive an annual award of 1,500 common shares for services as a director. All shares are awarded under the Directors' Deferred Stock Compensation Plan and are transferred to a grantor trust (the "Master Trust") maintained by DPL Inc. to secure its obligations under various directors' and officers' deferred and incentive compensation plans. The annual share award replaced cash director fees effective July 1, 2000. Previously, directors received \$12,000 annually plus meeting attendance and committee fees.

Non-employee directors are eligible to receive grants of stock options under the DPL Inc. Stock Option Plan. Each non-employee director, except Mr. Forster, was granted an option to purchase 50,000 shares on February 1, 2000 at an exercise price of \$21.00 per share, which was above the market price of \$19.06 per share on that date. These options represent a three-year block grant, are currently exercisable and expire on February 1, 2010.

DPL Inc. maintains a Deferred Compensation Plan for non-employee directors in which payment of directors' fees may be deferred. Under the standard deferred income program directors are entitled to receive a lump sum payment or payments in installments over a period up to 20 years. Effective January 31, 2000, the supplementary deferred income program was terminated for current directors and the value of each director's supplementary account transferred to his or her standard deferral account. All current directors have designated their standard deferral account be invested in DPL Inc. common share units. Share units are paid in common shares.

Mr. Forster, who retired as Chief Executive Officer of DPL Inc. effective December 31, 1996, entered into a three year agreement with DPL Inc. and the Company pursuant to which he serves as Chairman of the Board of DPL Inc. and the Company and provides advisory and strategic planning services. The term of the agreement is automatically extended each December 31 for an additional year unless either party gives advance notice of nonrenewal. For these services, Mr. Forster receives an annual fee of \$550,000 (as well as such bonuses, if any, as may be determined by the Compensation and Management Review Committee in its discretion) and is eligible to receive grants of stock options under the DPL Inc. Stock Option Plan. As Chairman, Mr. Forster is responsible for the long-term strategic planning of the Company, the oversight of financial assets, and the evaluation and recommendations relating to the merger, acquisition and disposition of utility assets. Mr. Forster participates in an incentive program for individuals managing financial assets.

EXECUTIVE OFFICER COMPENSATION

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Summary Compensation Table

Set forth below is certain information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of DPL Inc. and the Company, for the last three fiscal years, for services rendered in all capacities.

| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation | | | All Other Compensation (5) (\$) |
|---|------|---------------------|-------------------|------------------------------------|--|--------------------------|------------------------------------|
| | | Salary (\$) | Bonus (1) (\$) | Restricted Share Units (2) (\$) | Securities Underlying Options (3) (#) | LTIP Payouts (4) (\$) | |
| Allen M. Hill President and Chief Executive Officer | 2000 | 600,000 | 300,000 | -- | 1,350,000 | 2,180,000 | 1,000 |
| | 1999 | 550,000 | 462,000 | -- | -- | 525,000 | 1,000 |
| | 1998 | 500,000 | 300,000 | 505,000 ('99-01) | -- | 275,000 | 1,000 |
| Peter H. Forster (6) Chairman | 2000 | 550,000 | 300,000 | -- | 2,400,000 | 3,312,000 | 61,000 |
| | 1999 | 500,000 | 250,000 | -- | -- | 1,130,000 | 84,000 |
| | 1998 | 500,000 | 200,000 | 420,000 ('99-01) | -- | 1,130,000 | 87,000 |
| Judy Wyatt Group Vice President | 2000 | 294,000 | 100,000 | -- | 525,000 | 500,000 | 1,000 |
| | 1999 | 280,000 | 180,000 | -- | -- | -- | 1,000 |
| | 1998 | 264,000 | 119,000 | 197,000 ('99-01) | -- | -- | 1,000 |
| Stephen F. Kozlar, Jr. Group Vice President and Secretary | 2000 | 272,000 | 100,000 | -- | 495,000 | 1,100,000 | 1,000 |
| | 1999 | 259,000 | 166,000 | -- | -- | 350,000 | 1,000 |
| | 1998 | 244,000 | 110,000 | 186,000 ('99-01) | -- | 200,000 | 1,000 |
| Elizabeth M. McCarthy (7) Vice President, Chief Financial Officer and Chief Accounting Officer | 2000 | 280,000 | 220,000 | -- | 250,000 | 300,000 | 1,000 |

- (1) Amounts in this column represent awards made under the Management Incentive Compensation Program ("MICP"). Awards are based on achievement of specific predetermined operating and management goals in the year indicated and paid in the year earned or in the following year.
- (2) Amounts shown in this column represent the dollar value of Restricted Share Units ("RSUs") awarded to the named executive officer under the Management Stock Incentive Plan ("MSIP") based on the closing price of a DPL Inc. common share on the New York Stock Exchange--Consolidated Transactions Tape on the date of award. Effective February 1, 2000, the DPL Inc. Stock Option Plan replaced the MSIP and no additional awards were made under the MSIP.

Awards shown for 1998 covered a three-year performance period (1999-2001). Earning of these RSUs was dependent on the extent that the DPL Inc. average return on equity ("ROE") and total return to shareholders exceeded the Regulatory Research Associates industry median. Depending on the performance of DPL Inc., these RSUs could be earned in amounts ranging from 0% to 200% of the target award. As a result of replacing the MSIP with the Stock Option Plan, outstanding awards under the MSIP were concluded by crediting one-third of the RSUs awarded for plan years '99-01 as earned at 150% of the target award. Amounts shown for 1998 reflect this action. These RSUs vest in one-third annual increments ending in 2002. RSUs earned under the MSIP are not payable until 2005.

For each RSU which is earned and vests, a participant receives the equivalent of one DPL Inc. common share plus dividend equivalents from the date of award. All payouts of vested RSUs under the MSIP are deferred until retirement and are made in DPL Inc. common shares.

- (3) Amounts in this column represent a three-year block grant of stock options to the named executive under the DPL Inc. Stock Option Plan in lieu of awards under the MSIP. Each executive was granted a number of option shares equal to three times the executive's earned RSUs held in the Master Trust under the MSIP. See "Option Grants in Last Fiscal Year."
- (4) Amounts shown for 2000 include the dollar value of a one-time contingent award of RSUs approved by the Compensation Committee in 1999 which could be earned only if the closing price of DPL Inc. common shares on the NYSE Consolidated Transactions Tape achieved \$26 per share between June 1999 and July 1, 2001. These RSUs were earned in 2000 and settled in cash.

Amounts in this column for 1998 and 1999 also represent annualized incentives earned by the named executive officer under a long-term incentive program for individuals managing all financial assets of DPL Inc. Incentives were earned based on net cumulative investment performance of such assets over the four-year period 1996 through 1999. For 2000, incentives were earned based on annual performance and include \$100,000 for Mr. Hill, \$1.232 million for Mr. Forster, and \$100,000 for Mr. Koziar. The financial asset portfolio value was \$1.3 billion at December 31, 2000, contributed \$181 million to income during the 1997-2000 period and had \$165 million in unrealized gains at December 31, 2000.

- (5) Amounts in this column represent employer matching contributions on behalf of each named executive under the Company Employee Savings Plan made to the DPL Inc. Employee Stock Ownership Plan.
- (6) Annual compensation shown for Mr. Forster for 1998, 1999 and 2000 was paid pursuant to an agreement with DPL Inc. and the Company. Long term compensation award opportunities shown for 1998 represent the dollar value of restricted shares awarded to Mr. Forster under the Directors' Stock Plan which were subject to the same earning and vesting criteria generally applicable to RSUs. All other compensation shown for 2000 represents directors fees of \$26,700 and the dollar value of the annual award of 1,500 shares to each non-employee director in lieu of directors fees, and for 1999 and 1998 represents directors fees of \$37,000 and an award of 2,700 shares under the Directors' Stock Plan. Participation in the Director compensation program by Mr. Forster was terminated during the year 2000.
- (7) Ms. McCarthy joined DPL Inc. in March 2000. Ms. McCarthy has an employment agreement with DPL Inc. which provides for annual base salary as determined by the Compensation Committee, participation in the MICP, a stock option grant, \$100,000 signing bonus subject to forfeiture and severance benefits. The agreement is terminable upon 30 days notice.

Option Grants in Last Fiscal Year

The following table sets forth information concerning individual grants of stock options made to the named executive officers during the fiscal year ended December 31, 2000.

| Name | Individual Grants | | | | |
|----------------------------|--|--|---------------------------|-----------------|----------------------------------|
| | Number of Securities Underlying Options Granted (#)(1) | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/Share) | Expiration Date | Grant Date Present Value (\$)(2) |
| Allen M. Hill..... | 1,350,000 | 20.9 | 21.00 | 2/1/10 | 4,239,000 |
| Peter H. Forster..... | 2,400,000 | 37.2 | 21.00 | 2/1/10 | 7,536,000 |
| Judy Wyatt..... | 525,000 | 8.1 | 21.00 | 2/1/10 | 1,648,500 |
| Stephen F. Koziar, Jr..... | 495,000 | 7.7 | 21.00 | 2/1/10 | 1,554,300 |
| Elizabeth M. McCarthy... | 250,000 | 3.9 | 21.00 | 2/1/10 | 917,500 |

- (1) Options granted pursuant to the DPL Inc. Stock Option Plan on February 1, 2000 at an above market exercise price of \$21 per share. The closing price on February 1, 2000 was \$19 $\frac{1}{16}$ per share. These options represent a three-year block grant, vest in five cumulative installments of 20% on December 31, 2000, 2001, 2002, 2003 and 2004, and become exercisable on January 1, 2005. Ms. McCarthy's option was granted in March 2000.
- (2) The grant date present value was determined using the Black-Scholes pricing model. Significant assumptions used in the model were: expected volatility 18.5%, risk-free rate of return 6.79%, dividend yield 3.6% and time of exercise 5.1 years.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning each exercise of stock options during fiscal 2000 by each of the named executive officers and the fiscal year-end value of unexercised options.

| Name | Shares Acquired on Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) | | Value of Unexercised In-the-Money Options at Fiscal Year-End \$(1) | |
|----------------------------|---|---------------------------|--|---------------|--|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Allen M. Hill..... | -- | -- | -- | 1,350,000 | -- | 16,456,500 |
| Peter H. Forster..... | -- | -- | -- | 2,400,000 | -- | 29,256,000 |
| Judy Wyatt..... | -- | -- | -- | 525,000 | -- | 6,399,750 |
| Stephen F. Koziar, Jr..... | -- | -- | -- | 495,000 | -- | 6,034,050 |
| Elizabeth M. McCarthy... | -- | -- | -- | 250,000 | -- | 3,047,500 |

- (1) Unexercised options were in-the-money if the fair market value of the underlying shares exceeded the exercise price of the option at December 31, 2000.

Change in Control Agreements

DPL Inc. has in place agreements with each of Mr. Hill, Mr. Koziar, Ms. Wyatt and Ms. McCarthy providing for the payment of benefits upon the consummation of a change in control of DPL Inc. or the Company (generally, defined as the acquisition of 50% or more of the voting securities (15% or more without board approval) or certain mergers or other business combinations). The agreements require the individuals to remain with DPL Inc. throughout the period during which any change of control transaction is pending in order to help put in place the best plan for the shareholders. The principal benefits under each agreement include payment of the following: (i) 300% of the sum of the individual's annual base salary at the rate in effect on the date of the change in control plus the average amount paid to the individual under the MICP for the three preceding years; (ii) all awarded or earned but unpaid RSUs; and (iii) continuing medical, life, and disability insurance. In addition, upon termination of the individual's employment under specified circumstances during the pendency of a change of control, the individual is entitled to receive the individual's full base salary and accrued benefits through the date of termination and the individual's award for the current period under the MICP (or for a completed period if no award for that period has yet been determined) fixed at an amount equal to his average annual award paid for the preceding three years. In the event any payments under these agreements are subject to an excise tax under the Internal Revenue Code of 1986, the payments will be

adjusted so that the total payments received on an after-tax basis will equal the amount the individual would have received without imposition of the excise tax. The agreements are effective for one year but are automatically renewed each year unless DPL Inc. or the participant notifies the other one year in advance of its or his or her intent not to renew. DPL Inc. is obligated at the time of a change of control to fund its obligations under the agreements by transferring required payments to the Master Trust. Mr. Forster's agreement with DPL Inc. and the Company contains similar benefits provisions.

Pension Plans

The following table sets forth the estimated total annual benefits payable under the Company retirement income plan and the supplemental executive retirement plan to executive officers at normal retirement date (age 65) based upon years of accredited service and final average annual compensation (including base and incentive compensation) for the three highest years during the last ten:

| Final Average Annual Earnings | Total Annual Retirement Benefits for Years of Accredited Service at Age 65 | | |
|----------------------------------|---|-----------|-------------|
| | 10 Years | 15 Years | 20-30 Years |
| \$ 200,000 | \$ 51,500 | \$ 77,500 | \$ 103,000 |
| 400,000 | 108,500 | 163,000 | 217,000 |
| 600,000 | 165,500 | 248,500 | 331,000 |
| 800,000 | 222,500 | 334,000 | 445,000 |
| 1,000,000 | 279,500 | 419,500 | 559,000 |
| 1,200,000 | 336,500 | 505,000 | 673,000 |
| 1,400,000 | 393,500 | 590,500 | 787,000 |

The years of accredited service for the named executive officers are Mr. Hill -- 31 yrs.; Mr. Koziar -- 31 yrs.; Ms. Wyatt -- 21 yrs. and Ms. McCarthy -- 18 yrs. Benefits are computed on a straight-life annuity basis, are subject to deduction for Social Security benefits and may be reduced by benefits payable under retirement plans of other employers. Mr. Forster ceased to accrue benefits under the retirement plans effective upon his retirement as an employee of DPL Inc. and the Company.

Participation in the supplemental plan has been terminated for all executive officers and the benefits enumerated above reduced by 21%. The present value of each individual's accrued benefit under the supplemental plan, determined by DPL Inc.'s actuary, was transferred to a deferred payment account.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The Company's stock is actually owned by DPL Inc.

Item 13 - Certain Relationships and Related Transactions

None.

PART IV**Item 14 - Exhibits, Financial Statement Schedule and Reports on Form 8-K**

(a) Documents filed as part of the Form 10-K

1. Financial Statements

See Item 8 - Index to Consolidated Financial Statements on page 22, which page is incorporated herein by reference.

2. Financial Statement Schedule

For the three years in the period ended December 31, 2000:

| | <u>Page No.</u> |
|---|-----------------|
| Schedule II - Valuation and qualifying accounts | 59 |

The information required to be submitted in Schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The exhibits filed as a part of this Annual Report on Form 10-K are:

| | Incorporated Herein by Reference as Filed With |
|--|---|
| 2(a) Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and the Company dated January 6, 1986..... | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 2(b) Copy of Asset Purchase Agreement, dated December 14, 1999 between The Dayton Power and Light Company, Indiana Energy, Inc., and Number-3CHK, Inc..... | Exhibit 2 to Report on Form 10-Q for the quarter ended September 30, 2000 (File No. 1-2385) |
| 3(a) Regulations and By-Laws of the Company..... | Exhibit 2(e) to Registration Statement No. 2-68136 to Form S-16 |
| 3(b) Copy of Amended Articles of Incorporation of the Company dated January 3, 1991..... | Exhibit 3(b) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 4(a) Copy of Composite Indenture dated as of October 1, 1935, between the Company and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture..... | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between the Company and The Bank of New York, Trustee..... | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |

| | | |
|-------|---|--|
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 4(m) | Copy of the Forty-First Supplemental Indenture dated as of February 1, 1999, between the Company and The Bank of New York, Trustee..... | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1998 (File No. 1-2385) |
| 10(a) | Copy of Directors' Deferred Stock Compensation Plan amended December 31, 2000..... | Filed herewith as Exhibit 10(a) on page 60 |
| 10(b) | Copy of Directors' Deferred Compensation Plan amended December 31, 2000..... | Filed herewith as Exhibit 10(b) on page 72 |
| 10(c) | Copy of Management Stock Incentive Plan amended December 31, 2000..... | Filed herewith as Exhibit 10(c) on page 92 |
| 10(d) | Copy of Key Employees Deferred Compensation Plan amended December 31, 2000..... | Filed herewith as Exhibit 10(d) on page 106 |

| | | |
|-------|--|--|
| 10(e) | Form of Change of Control Agreement with Certain Executive Officers..... | Filed herewith as Exhibit 10(e) on page 125 |
| 10(f) | Copy of Stock Option Plan..... | Filed herewith as Exhibit 10(f) on page 137 |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP..... | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1988 (File No. 1-2385) |
| 21 | Copy of List of Subsidiaries of the Company..... | Filed herewith as Exhibit 21 on page 147 |

(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAYTON POWER AND LIGHT COMPANY

Registrant

March 30, 2001

/s/ Allen M. Hill

Allen M. Hill

President and Chief Executive Officer
(principal executive officer)

| | | |
|---|---|----------------|
| <u>/s/ T. J. Danis</u> (T. J. Danis) | Director | March 30, 2001 |
| <u>(J. F. Dicke, II)</u> | Director | March 30, 2001 |
| <u>/s/ P. H. Forster</u> (P. H. Forster) | Director and Chairman | March 30, 2001 |
| <u>/s/ E. Green</u> (E. Green) | Director | March 30, 2001 |
| <u>/s/ J. G. Haley</u> (J. G. Haley) | Director | March 30, 2001 |
| <u>/s/ A. M. Hill</u> (A. M. Hill) | Director, President and Chief Executive Officer | March 30, 2001 |
| <u>(W A. Hillenbrand)</u> | Director | March 30, 2001 |
| <u>/s/ D. R. Holmes</u> (D. R. Holmes) | Director | March 30, 2001 |
| <u>/s/ B. R. Roberts</u> (B. R. Roberts) | Director | March 30, 2001 |
| <u>(G. R. Roberts)</u> | Director | March 30, 2001 |
| <u>(S. M. Stuart)</u> | Director | March 30, 2001 |
| <u>/s/ E. M. McCarthy</u> (E. M. McCarthy) | Vice President and Chief Financial Officer (principal financial and accounting officer) | March 30, 2001 |

Schedule II

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The Dayton Power and Light Company
VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2000, 1999, and 1998

(\$ in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E |
|---|--------------------------------------|-------------------------|-------|-------------------|--------------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| 2000: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,332 | \$ 9,115 | \$ - | \$ 6,600 | \$ 6,847 |
| 1999: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,657 | \$ 5,171 | \$ - | \$ 5,496 | \$ 4,332 |
| 1998: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 4,657 | \$ 8,182 | \$ - | \$ 8,182 | \$ 4,657 |

(1) Amounts written off, net of recoveries of accounts previously written off.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934For the fiscal year ended **December 31, 1999**

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2385**THE DAYTON POWER AND LIGHT COMPANY***(Exact name of registrant as specified in its charter)***OHIO***(State or other jurisdiction of
incorporation or organization)***Courthouse Plaza Southwest, Dayton, Ohio***(Address of principal executive offices)***31-0258470***(I.R.S. Employer Identification No.)***45402***(Zip Code)*Registrant's telephone number, including area code: **937-224-6000**Securities registered pursuant to Section 12(b) of the Act: **NONE**Securities registered pursuant to Section 12(g) of the Act: **NONE**Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. √

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES √ NO

Number of shares of registrant's common stock outstanding as of February 15, 2000, all of which were held by DPI Inc., was 41,172,173.

PART I**Item 1 - Business***

THE COMPANY

The Dayton Power and Light Company (the "Company") is a public utility incorporated under the laws of Ohio in 1911. The Company sells electricity and natural gas to residential, commercial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for the Company's 24 county service area is generated at eight power plants and is distributed to 495,000 retail customers. Natural gas is provided to 308,000 customers in 16 counties. Principal industries served include electrical machinery, automotive and other transportation equipment, non-electrical machinery, agriculture, paper, and rubber and plastic products. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area. In 1999, electric revenues decreased 1% due to lower sales to other public utilities and residential customers. Utility gas revenues and gas purchased for resale each increased 2% in 1999 due to higher sales to business customers. During 1999, cooling degree days were 13% above the twenty year average and 3% below 1998. Heating degree days in 1999 were 8% below the thirty year average and 12% above 1998. Sales patterns will change in future years as weather and the economy fluctuate. The Company employed 2,102 persons as of December 31, 1999, of which 1,778 are full-time employees and 324 are part-time employees.

All of the outstanding shares of common stock of the Company are held by DPL Inc. ("DPL"), which became the Company's corporate parent, effective April 21, 1986.

In 1999, the Company transferred its ownership interests in the assets and liabilities of MacGregor Park, Inc. to DPL and transferred its ownership interests in the assets and liabilities of MVE, Inc. to Plaza Building Inc., which is another wholly-owned subsidiary of DPL.

The Company's principal executive and business office is located at Courthouse Plaza Southwest, Dayton, Ohio 45402 - telephone (937) 224-6000.

* Unless otherwise indicated, the information given in "Item 1 - Business" is current as of February 15, 2000. No representation is made that there have not been subsequent changes to such information.

COMPETITION

The Company competes with privately and municipally owned electric utilities and rural electric cooperatives, natural gas suppliers and other alternate fuel suppliers. The Company competes on the basis of price and service.

Like other utilities, the Company from time to time may have electric generating capacity available for sale to other utilities. The Company competes with other utilities to sell electricity provided by such capacity. The ability of the Company to sell this electricity will depend on how the Company's price, terms and conditions compare to those of other utilities. In addition, from time to time, the Company makes power purchases from other suppliers.

In an increasingly competitive energy environment, cogenerated power may be used by customers to meet their own power needs. Cogeneration is the dual use of a form of energy, typically steam, for an industrial process and for the generation of electricity. The Public Utilities Regulatory Policies Act of 1978 ("PURPA") provides regulations that govern the purchase of excess electric energy from cogeneration and small power production facilities that have obtained qualifying status under PURPA.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

The Company provides transmission and wholesale electric service to twelve municipal customers which distribute electricity within their corporate limits. In addition to these municipal customers, the Company maintains an interconnection agreement with one municipality that has the capability to generate a portion of its energy requirements. Sales to municipalities represented 1.3% of total electricity sales in 1999.

The municipal agreements provide, among other things, for the sale of firm power by the Company to the municipals on specified terms. However, the parties disagree in their interpretation of this portion of the agreement and the Company filed suit against the eleven municipals on December 28, 1998. The dispute was subsequently settled in 1999. In December 1999, the Company filed a second suit against the municipals claiming their failure to pay for certain services rendered under the contract. The municipals filed a complaint at the Federal Energy Regulatory Commission ("FERC") claiming violation of a mediation clause. This dispute is expected to be resolved through the FERC process, and is not expected to result in a material impact on the Company's financial position.

On February 15, 1996, the Public Utilities Commission of Ohio ("PUCO") issued guidelines for interruptible service, including services that accommodate the attainment and delivery of replacement electricity during periods when the utility faces constraints on its own resources. The Company's interruptible electric service tariffs were approved on May 1, 1997, and tariffs conforming to this order were subsequently filed with the PUCO on May 15, 1997.

On December 24, 1996, the PUCO issued a Finding and Order adopting conjunctive electric service ("CES") guidelines and directing utilities to file tariffs regarding CES service. CES programs enable customers to aggregate for cost of service, rate design, rate eligibility and billing purposes. On December 30, 1998, the PUCO approved the Company's CES tariff, with an effective date of January 4, 1999. Implementation of this program is essentially revenue neutral.

In October 1999, legislation ("the Legislation") became effective in Ohio giving electric utility customers a choice of energy providers starting January 1, 2001. Under the Legislation, electric generation, aggregation, power marketing and power brokerage services supplied to retail customers in Ohio will be deemed competitive and will not be subject to supervision and regulation by the PUCO. Existing limitations on an electric public utility's ownership rights of a non-public utility were eliminated. All earnings obligations, restrictions or caps imposed on an electric utility in a PUCO order became void as of the effective date of the Legislation.

As required by the Legislation, the Company filed its transition plan at the PUCO on December 20, 1999. As part of the transition plan, the Company also filed for the opportunity to receive transition revenues. These transition revenues, once determined by the PUCO, will be recovered through a transition charge during the market development period which ends no later than December 31, 2005. Regulatory assets that are part of the total allowable amount of transition costs will be separately identified as part of the transition charge, and the PUCO may set the revenue requirements for their recovery to end no later than December 31, 2010. A shopping incentive may be factored into the setting of the transition charge to induce 20% load switching by customer class by December 31, 2003, or halfway through the utility's market development period.

On April 24, 1996, FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. Both in 1997 and 1998, the Company reached an agreement in principle with staff and intervenors in these tariff cases. The Company's revenues from customers will not be materially impacted by the final resolution of these cases.

FERC issued an Order accepting the Stipulation between the parties in the Company's Open Access Transmission Tariff cases on July 30, 1999 and September 17, 1999. The Company was not materially impacted by the Order. FERC issued a final rule on December 20, 1999 specifying the minimum characteristics and functions for Regional Transmission Organizations ("RTO"). The rule required that all public utilities that own, operate or control interstate transmission file a proposal to join a RTO by October 15, 2000 or file a description of efforts taken to participate in an RTO, reasons for not participating in an RTO, any obstacles to participation in an RTO, and any plans for further work towards participation.

On September 30, 1996, FERC conditionally accepted the Company's market-based sales tariff which will allow the Company to sell wholesale generation supply at prices that reflect current market prices. At the same time, FERC approved the application and authorization of DPL Energy Inc., a wholly-owned subsidiary of DPL, to sell and broker wholesale electric power and also charge market-based prices for such power.

On July 22, 1998, the PUCO approved the implementation of Minimum Electric Service Standards for all of Ohio's investor-owned electric utilities. This Order details minimum standards of performance for a variety of service related functions effective July 1, 1999. On December 21, 1999, the PUCO issued additional rules proposed by the PUCO Staff which are designed to guide the electric utility companies as they prepare to enter into deregulation. These rules include certification of providers of competitive retail electric services, minimum competitive retail electric service standards, monitoring the electric utility market, and establishing procedures for alternative dispute resolution. There were also rules issued to amend existing rules for noncompetitive electric service and safety standards and electric companies long-term forecast reporting. The Company submitted comments on the proposed rules on January 31, 2000.

General deregulation of the natural gas industry has continued to influence market competition as the driving force behind natural gas procurement. The evolution of an efficient natural gas spot market in combination with open-access interstate transportation pipelines has provided the Company, as well as its end-use customers, with an array of procurement options. Customers with alternate fuel capability can continue to choose between natural gas and their alternate fuel based upon overall performance and economics. Therefore, demand for natural gas purchased from the Company or purchased elsewhere and transported to the end-use customer by the Company could fluctuate based on the economics of each in comparison with changes in alternate fuel prices. For the Company, price competition and reliability among both natural gas suppliers and interstate pipeline sources are major factors affecting procurement decisions.

CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY

Construction Program

Construction additions were \$80 million, \$111 million, and \$109 million in 1999, 1993 and 1997, respectively. The Company recently completed its Phase One peaking generation expansion with the addition of three GE combustion turbines representing 250 MW. The capital program for 2000 consists of construction costs of approximately \$114 million.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings which may change the level of future construction additions. The potential impact of these events on the Company's operations cannot be estimated at this time.

Financing Program

At year-end 1999, cash and temporary cash investments were \$96 million and financial assets were \$1 million. Proceeds from temporary cash investments, together with internally generated cash and future outside financings, will provide for the funding of the construction program, sinking funds and general corporate requirements.

On February 2, 2000, DPL announced that it had signed a definitive agreement with affiliates of Kohlberg Kravis Roberts & Co. ("KKR"), an investment company, under which KKR will make a strategic investment of \$550 million in DPL. DPL intends to use the proceeds from this investment, combined with \$425 million of new debt capital, to continue its planned generation strategy, retire short-term debt and purchase up to 31.6 million common shares. The \$425 million issuance of 8.25% Senior Notes due 2007 closed on February 24, 2000, and the \$550 million investment by KKR closed on March 13, 2000. These transactions resulted in an increase in the financial leverage of DPL in its capital structure.

Under the terms of the agreement with KKR, which has been unanimously approved by DPL's Board of directors, the investment includes a combination of voting preferred and trust preferred securities and warrants to purchase DPL common stock. The 31.6 million warrants, with an exercise price of \$21, represent approximately 19.9% of DPL shares currently outstanding. The voting preferred securities carry voting rights for up to 4.9% of DPL's total voting rights. The trust preferred securities have a term of 30 years (subject to acceleration to six months after the exercise of warrants) and carry a dividend rate of 8.5% payable in cash.

On February 4, 2000, DPL initiated an Offer to Purchase for Cash up to 25 million common shares, or approximately 16% of outstanding shares, at a price of \$20-\$23, via a modified Dutch Auction process. This tender expired on March 3, 2000. Under the Offer, approximately 28 million shares, or 18% of outstanding shares, were properly tendered and not withdrawn at prices at or below \$23 per share. Therefore, the buyback was prorated with a final proration factor of 91.3%. DPL accepted for purchase 25 million shares, or 16% of its common stock, at a price of \$23 per share. DPL currently intends to purchase up to an additional 6.6 million shares after this offer is completed. The method, timing and financing of such purchases have not yet been decided.

In December 1997, the Company redeemed a series of first mortgage bonds in the principal amount of \$40 million with an interest rate of 8.0%. The bonds had been scheduled to mature in 2003. Another series of first mortgage bonds in the principal amount of \$40 million matured in 1997. Sinking fund payments required for the next five years are \$2 million.

In April 1999, DPL completed a private placement issuance of \$500 million of Senior Notes Due 2004, with an interest rate of 6.32%. The proceeds were used to redeem the 8.40% Series First Mortgage Bonds, the reduction of short-term debt and for general corporate purposes.

DPL and its subsidiaries have \$300 million available through revolving credit agreements with a consortium of banks. One agreement, for \$200 million, expires in 2002 and the other, for \$100 million, expires in 2000. The agreements were amended effective March 10, 2000 so that the financial covenants would be consistent with the effects of the Tender Offer and the associated financings. At year-end 1999, DPL had no outstanding borrowings under these credit agreements. The Company also has \$75 million available in short-term lines of credit. The Company had no outstanding borrowings from these lines of credit at year-end 1999 and \$81 million at year-end 1998. The Company had \$123 million and \$99 million in commercial paper outstanding at year-end 1999 and 1998, respectively.

Under the Company's First and Refunding Mortgage, First Mortgage Bonds may be issued on the basis of (i) 60% of unfunded property additions, subject to net earnings, as defined, being at least two times interest on all First Mortgage Bonds outstanding and to be outstanding, or (ii) 100% of retired First Mortgage Bonds. The Company anticipates that it will be able to issue sufficient First Mortgage Bonds to satisfy its long-term debt requirements in connection with the financing of its construction and refunding programs discussed above.

The maximum amount of First Mortgage Bonds which may be issued in the future will fluctuate depending upon interest rates, the amounts of bondable property additions, earnings and retired First Mortgage Bonds. There are no coverage tests for the issuance of preferred stock under the Company's Amended Articles of Incorporation.

ELECTRIC OPERATIONS AND FUEL SUPPLY

The Company's present winter generating capability is 3,371,000 KW. Of this capability, 2,843,000 KW (approximately 84%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 87% (2,472,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Under the agreements among the companies, each company owns a specified undivided share of each facility, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by the Company. The Company's all-time net peak load was 3,130,000 KW, occurring in 1999. The present summer generating capability is 3,269,000 KW.

GENERATING FACILITIES

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-----------------|-------|
| | | | | Company Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 371 | 371 |
| Killen | C | Company | Wrightsville, OH | 402 | 600 |
| Stuart | C | Company | Aberdeen, OH | 820 | 2,340 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miarni Fort-Units 7 &8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 33 | 33 |
| Yankee Street | W | Company | Centerville, OH | 138 | 138 |
| Monument | W | Company | Dayton, OH | 12 | 12 |
| Tait | W | Company | Dayton, OH | 10 | 10 |
| Sidney | W | Company | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | Company | Moraine, OH | 100 | 100 |
| Tait Gas Turbine 2 | W | Company | Moraine, OH | 102 | 102 |
| Tait Gas Turbine 3 | W | Company | Moraine, OH | 102 | 102 |
| Killen | C | Company | Wrightsville, OH | 16 | 24 |
| Stuart | C | Company | Aberdeen, OH | 3 | 10 |

*W = Wholly Owned

C = Commonly Owned

In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. The Company has several interconnections with other companies for the purchase, sale and interchange of electricity.

The Company derived over 99% of its electric output from coal-fired units in 1999. The remainder was derived from units burning oil or natural gas which were used to meet peak demands.

The Company estimates that approximately 65-85% of its coal requirements for the period 2000-2004 will be obtained through long-term contracts, with the balance to be obtained by spot market purchases. The Company has been informed by CG&E and CSP through the procurement plans for the commonly owned units operated by them that sufficient coal supplies will be available during the same planning horizon.

The prices to be paid by the Company under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kWh generated of all fuel burned for electric generation (coal, gas and oil) for the year was 1.30¢ in 1999 and 1998 and 1.31¢ in 1997. Beginning in February 2000, the Company's Electric Fuel Component ("EFC") will be fixed at 1.30¢ for the remainder of 2000. As competition begins on January 1, 2001 the EFC will become part of the Standard Offer Generation Rate. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

The Company reached an agreement to sell its natural gas retail distribution business unit for \$425 million. This all-cash sale of assets (book value approximating \$250 million at December 31, 1999) is subject to regulatory approvals and is expected to close by the end of the second quarter, 2000. The after-tax proceeds from the sale will be used in the expansion of the electric combustion turbine business, to finance in part other business unit capital needs, to continue the stock buyback program and to reduce outstanding short-term debt.

The Company has long-term firm pipeline transportation agreements with ANR Gas Pipeline Company ("ANR"), Texas Gas Transmission Corporation ("Texas Gas"), Panhandle Eastern Pipe Line Company ("Panhandle"), Columbia Gas Transmission Corporation ("Columbia") and Columbia Gulf Transmission Corporation for varying terms, up to early 2005. Along with firm transportation services, the Company has approximately 14 billion cubic feet of firm storage service with various pipelines.

In addition, the Company is interconnected with CNG Transmission Corporation. Interconnections with interstate pipelines provide the Company the opportunity to purchase competitively priced natural gas supplies and pipeline services. The Company purchases its natural gas supplies using a portfolio approach that minimizes price risks and ensures sufficient firm supplies at peak demand times. The portfolio consists of long-term, short-term and spot supply agreements. In 1999, firm agreements provided approximately 60% of total supply, with the remaining supplies purchased on a spot/short-term basis.

In 1999, the Company purchased natural gas at an average price of \$3.68 per MCF, compared to \$3.22 per MCF in 1998 and \$3.45 per MCF in 1997. Through the operation of a natural gas cost adjustment clause applicable to gas sales, increases and decreases in the Company's natural gas costs are reflected in customer rates on a timely basis. SEE RATE REGULATION AND GOVERNMENT LEGISLATION.

The PUCO supports open access, nondiscriminatory transportation of natural gas by the state's local distribution companies for end-use customers. The PUCO has guidelines to provide a standardized structure for end-use transportation programs which requires a tariff providing the prices, terms and conditions for such service. The Company has an approved tariff and provides transportation service to approximately 600 end-use customers, delivering a total quantity of nearly 20,200,000 MCF per year.

RATE REGULATION AND GOVERNMENT LEGISLATION

The Company's sales of electricity and natural gas to retail customers are subject to rate regulation by the PUCO and various municipalities. The Company's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

The Company's electric and natural gas rate schedules contain certain recovery and adjustment clauses subject to periodic audits by, and proceedings before, the PUCO. Electric fuel and gas costs are expensed as recovered through rates. Beginning in February 2000, the Company's EFC will be fixed at 1.30¢ for the remainder of 2000. As competition begins on January 1, 2001 the EFC will become part of the Standard Offer Generation Rate.

On June 18, 1996, Ohio Governor Voinovich signed into law House Bill 476 which allows for alternate natural gas rate plans and exemption from PUCO jurisdiction for some gas services, and establishes a code of conduct for natural gas distribution companies. Final rules were issued on March 12, 1997.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL. The legislation extends the PUCO's supervisory powers to a holding company system's general condition and capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service.

Regulatory assets recorded during the phase-in of electric rates were recovered in revenues through 1999. A 1992 PUCO-approved agreement for the phase-in plan provided that after the end of the deferral period the Company would maintain a balance sheet reserve account which shall operate to reduce the otherwise applicable jurisdictional production plant valuation subject to recovery in rates. In addition, deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$2.8 million per year over the projected life of the asset.

The 1992 PUCO-approved settlement agreement for the demand-side management ("DSM") programs, as updated in 1995, provided for accelerated recovery of DSM costs and, thereafter, production plant costs to the extent that the Company's return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose. In 1998, amortization of regulatory assets included an additional \$10.4 million of accelerated cost recovery. In 1999, the Legislation removed the return on equity cap.

Regulatory deferrals on the balance sheet were:

| | Dec. 31 1999 | Dec. 31 1998 |
|---|-----------------|-----------------|
| | <hr/> | |
| | --millions-- | |
| Phase-in | \$ (6.8) | \$ 12.9 |
| DSM | 13.2 | 19.6 |
| Deferred interest - Zimmer | 46.9 | 49.7 |
| Income taxes recoverable through future revenues | 168.5 | 195.5 |
| Total | <u>\$221.8</u> | <u>\$277.7</u> |

Under the Legislation passed in 1999, the percentage of income payment plan ("PIPP") for eligible low-income households will be converted to a universal service fund. The universal service program will be administered by the Ohio Department of Development. As part of the Company's Electric Transition Plan, the Company has requested to recover PIPP arrearages remaining as of December 31, 2000 as part of a transition charge.

In 1989 the PUCO approved rules for the implementation of a comprehensive Integrated Resource Planning ("IRP") program for all investor-owned electric utilities in Ohio. Under this program, each utility is required to file an IRP as part of its Long Term Forecast Report ("LTFR"). The IRP requires each utility to evaluate available demand-side resource options in addition to supply-side options to determine the most cost-effective means for satisfying customer requirements. The rules currently allow a utility to apply for deferred recovery of DSM program expenditures and lost revenues between LTFR proceedings. On April 15, 1999 and June 1, 1999, respectively, the Company filed its electric and natural gas LTFR with the PUCO. Legislation for competitive retail electric service will change the scope of the electric LTFR filing requirements in the future.

The PUCO is composed of five commissioners appointed to staggered five-year terms. The current Commission is composed of the following members:

| <u>Name</u> | <u>Beginning of Term</u> | <u>End of Term</u> |
|---------------------------|--------------------------|--------------------|
| Chairman Alan R. Schriber | April 1999 | April 2004 |
| Donald L. Mason | April 1998 | April 2003 |
| Judith A. Jones | April 1997 | April 2002 |
| Craig A. Glazer | April 1996 | April 2001 |
| Rhonda H. Fergus | April 1995 | April 2000 |

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company, including the commonly owned facilities operated by the Company, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY.

Air Quality

The Clean Air Act Amendments of 1990 (the "Act") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The Act restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements will become effective on January 1, 2000. Compliance by the Company has not caused any material changes in the Company's costs or operations.

The Company's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993 and, on November 9, 1995, the PUCO approved the continued appropriateness of the ECP. Phase I requirements were met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the Act were approximately \$5.5 million. Phase II requirements are being met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units. Overall compliance is projected to have a minimal price impact.

In November 1999, the United States Environmental Protection Agency ("U.S. EPA") filed civil complaints and Notices of Violations ("NOVs") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners Cincinnati Gas & Electric (Beckjord 6) and Columbus Southern Power (Conesville 4) and co-owned by the Company were referenced in these actions. On March 1, 2000, the U.S. EPA filed amended complaints in the civil actions that U.S. EPA had brought against the partners in November 1999. The amended complaint against Cincinnati Gas & Electric includes alleged violations pertaining to Beckjord 6. Numerous northeast states have filed complaints or have indicated that they will be joining the EPA's action against the partners. The Company was not identified in the NOVs, civil complaints or state actions. The partners will vigorously challenge the NOVs and complaints in court. At this time, it is not possible to determine the outcome of these claims or the impact, if any, on the Company.

In September 1998, the U.S. EPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the CAA. The modified SIPs are likely to result in further nitrogen oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million over the next five years. Industry groups and others appealed the rules in United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others are considering an appeal of this decision. In late December 1999, the U.S. EPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. The Company's current NOx reduction strategy and associated expenditures to meet the SIP call should satisfy the rulemaking reduction requirements.

Land Use

The Company and numerous other parties have been notified by U.S. EPA or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRPs") for clean-up at two superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio and the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio.

The Company received notification from the U.S. EPA in July 1987 for the Cardington Road site. The Company has not joined the PRP group formed at that site because of the absence of any known evidence that the Company contributed hazardous substances to this site. The Record of Decision issued by the U.S. EPA identifies the chosen clean-up alternative at a cost estimate of \$8.1 million. The final resolution is not expected to have a material effect on the Company's financial position, earnings or cash flow.

The Company and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRPs for clean up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. The Company has not joined the PRP group formed for the site because the available information does not demonstrate that the Company contributed wastes to the site. The final resolution is not expected to have a material effect on the Company's financial position, earnings or cash flow.

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THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
ELECTRIC OPERATIONS

| | Years Ended December 31 | | |
|---|-------------------------|--------------------|--------------------|
| | 1999 | 1998 | 1997 |
| Electric Output (millions of kWh) | | | |
| General - | | | |
| Coal-fired units | 16,539 | 16,854 | 16,246 |
| Other units | 189 | 99 | 52 |
| Power purchases | 1,523 | 1,475 | 1,239 |
| Company use and line losses | (1,384) | (947) | (928) |
| Total | <u>16,867</u> | <u>17,481</u> | <u>16,609</u> |
| Electric Sales (millions of kWh) | | | |
| Residential | 4,725 | 4,790 | 4,788 |
| Commercial | 3,390 | 3,518 | 3,408 |
| Industrial | 4,876 | 4,655 | 4,749 |
| Public authorities and railroads | 1,305 | 1,360 | 1,330 |
| Private utilities and wholesale | 2,571 | 3,158 | 2,334 |
| Total | <u>16,867</u> | <u>17,481</u> | <u>16,609</u> |
| Electric Customers at End of Period | | | |
| Residential | 441,468 | 437,674 | 433,563 |
| Commercial | 45,470 | 44,716 | 43,923 |
| Industrial | 1,917 | 1,909 | 1,881 |
| Public authorities and railroads | 5,994 | 5,838 | 5,736 |
| Other | 46 | 43 | 42 |
| Total | <u>494,895</u> | <u>490,180</u> | <u>485,145</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$ 412,808 | \$ 419,948 | \$ 409,857 |
| Commercial | 235,309 | 242,526 | 234,206 |
| Industrial | 242,410 | 228,685 | 225,775 |
| Public authorities and railroads | 69,777 | 76,686 | 74,018 |
| Private utilities and wholesale | 79,196 | 86,485 | 53,598 |
| Other | 18,844 | 18,651 | 12,523 |
| Total | <u>\$1,058,344</u> | <u>\$1,072,981</u> | <u>\$1,009,977</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - kWh | 10,758 | 10,999 | 11,120 |
| Revenue | \$ 940.00 | \$ 964.40 | \$ 951.90 |
| Rate per kWh | 8.74¢ | 8.77¢ | 8.56¢ |

* See Note 14 to Consolidated Financial Statements for additional information.

THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
GAS OPERATIONS

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| | Years Ended December 31 | | |
|--|-------------------------|------------------|------------------|
| | 1999 | 1998 | 1997 |
| Gas Output (thousands of MCF) | | | |
| Direct market purchases | 37,865 | 36,497 | 43,808 |
| Liquefied petroleum gas | 2 | 3 | 66 |
| Company use and unaccounted for | (2,116) | (912) | (1,016) |
| Transportation gas received | <u>19,964</u> | <u>18,125</u> | <u>19,182</u> |
| Total | <u>55,715</u> | <u>53,713</u> | <u>62,040</u> |
| Gas Sales (thousands of MCF) | | | |
| Residential | 24,450 | 24,877 | 29,277 |
| Commercial | 7,647 | 7,433 | 9,567 |
| Industrial | 2,246 | 1,916 | 2,520 |
| Public authorities | 1,182 | 1,699 | 2,153 |
| Transportation gas delivered | <u>20,190</u> | <u>17,788</u> | <u>18,523</u> |
| Total | <u>55,715</u> | <u>53,713</u> | <u>62,040</u> |
| Gas Customers at End of Period | | | |
| Residential | 282,706 | 279,784 | 276,189 |
| Commercial | 22,635 | 22,491 | 22,298 |
| Industrial | 1,303 | 1,441 | 1,396 |
| Public authorities | <u>1,173</u> | <u>1,509</u> | <u>1,475</u> |
| Total | <u>307,817</u> | <u>305,225</u> | <u>301,358</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$139,545 | \$138,802 | \$160,279 |
| Commercial | 40,225 | 38,243 | 48,302 |
| Industrial | 11,017 | 9,291 | 11,867 |
| Public authorities | 5,908 | 8,230 | 10,311 |
| Other | <u>18,284</u> | <u>16,640</u> | <u>12,948</u> |
| Total | <u>\$214,979</u> | <u>\$211,206</u> | <u>\$243,707</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - MCF | 87.1 | 89.6 | 107.0 |
| Revenue | \$ 497.15 | \$ 499.94 | \$ 585.63 |
| Rate per MCF | \$ 5.71 | \$ 5.58 | \$ 5.47 |

* See Note 14 to Consolidated Financial Statements for additional information.

Item 2 - Properties

Electric

Information relating to the Company's electric properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY (pages I-5 and I-6), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-7 and I-8) and Item 8 - Notes 4 and 7 of Notes to Consolidated Financial Statements on pages II-17 and II-22, respectively, which pages are incorporated herein by reference.

Gas

Information relating to the Company's gas properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), and GAS OPERATIONS AND GAS SUPPLY (pages I-8 and I-9) and Note 12 of Notes to Consolidated Financial Statements (page II-24), which pages are incorporated herein by reference.

Other

The Company owns a number of area service buildings located in various operating centers.

Substantially all property and plant of the Company is subject to the lien of the Mortgage securing the Company's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving the Company is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), COMPETITION (Pages I-2 through I-4), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-7 and I-8), GAS OPERATIONS AND GAS SUPPLY (pages I-8 and I-9) and Note 12 of Notes to Consolidated Financial Statements on page II-24, RATE REGULATION AND GOVERNMENT LEGISLATION (pages I-9 through I-11), ENVIRONMENTAL CONSIDERATIONS (pages I-11 through I-13) and Item 8 - Note 4 of Notes to Consolidated Financial Statements on page II-17, which pages are incorporated herein by reference.

Item 4 - Submission Of Matters To A Vote Of Security Holders

None.

Item 5 - Market For Registrant's Common Equity And Related Stockholder Matters

The Company's common stock is held solely by DPL Inc. and as a result is not listed for trading on any stock exchange.

The information required by this item of Form 10-K is set forth in Item 8 - Selected Quarterly Information on page II-26 and the Financial and Statistical Summary on page II-27, which pages are incorporated herein by reference.

As long as any Preferred Stock is outstanding, the Company's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year-end, all earnings reinvested in the business of the Company were available for Common Stock dividends.

Item 6 - Selected Financial Data

The information required by this item of Form 10-K is set forth in Item 8 - Financial and Statistical Summary on page II-27, which page is incorporated herein by reference.

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Item 7 - Management's Discussion And Analysis Of Financial Condition
And Results Of Operations

The Dayton Power and Light Company

| Performance Highlights | 1999 | 1998 | 1997 |
|---|------------|---------|---------|
| CAPITAL INVESTMENT PERFORMANCE: | | | |
| Capital structure (millions) | | | |
| Common shareholder's equity | \$ 1,297.6 | 1,273.0 | 1,280.8 |
| Preferred stock | \$ 22.9 | 22.9 | 22.9 |
| Long-term debt | \$ 661.2 | 885.6 | 886.0 |
| Total | \$ 1,981.7 | 2,181.5 | 2,189.7 |
| OPERATING PERFORMANCE: | | | |
| Electric-- | | | |
| Sales (millions of kWh) | | | |
| Residential | 4,725 | 4,790 | 4,788 |
| Commercial | 3,390 | 3,518 | 3,408 |
| Industrial | 4,876 | 4,655 | 4,749 |
| Other | 3,876 | 4,518 | 3,664 |
| Total | 16,867 | 17,481 | 16,609 |
| Revenues (millions) | | | |
| Residential | \$ 412.8 | 419.9 | 409.9 |
| Commercial | \$ 235.3 | 242.5 | 234.2 |
| Industrial | \$ 242.4 | 228.7 | 225.8 |
| Other | \$ 167.8 | 181.9 | 140.1 |
| Total | \$ 1,058.3 | 1,073.0 | 1,010.0 |
| Average price per kWh - retail and wholesale customers (calendar year) | ¢ 6.19 | 6.03 | 6.01 |
| Gas-- | | | |
| Sales (thousands of MCF) | | | |
| Residential | 24,450 | 24,877 | 29,277 |
| Commercial | 7,647 | 7,433 | 9,567 |
| Industrial | 2,246 | 1,916 | 2,520 |
| Other | 21,372 | 19,487 | 20,676 |
| Total | 55,715 | 53,713 | 62,040 |
| Revenues (millions) | | | |
| Residential | \$ 139.6 | 138.8 | 160.3 |
| Commercial | \$ 40.2 | 38.2 | 48.3 |
| Industrial | \$ 11.0 | 9.3 | 11.9 |
| Other | \$ 24.2 | 24.9 | 23.9 |
| Total | \$ 215.0 | 211.2 | 244.4 |
| Average price per MCF - total (calendar year) | \$ 3.86 | 3.93 | 3.93 |

Income Statement Highlights

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| \$ in millions | 1999 | 1998 | 1997 |
|--|------------|------------|------------|
| Electric utility: | | | |
| Revenues | \$1,058 | \$1,073 | \$1,010 |
| Fuel and purchased power..... | <u>262</u> | <u>257</u> | <u>227</u> |
| Net revenues | 796 | 816 | 783 |
| Gas utility: | | | |
| Revenues | 215 | 211 | 244 |
| Gas purchased for resale..... | <u>130</u> | <u>128</u> | <u>151</u> |
| Net revenues | 85 | 83 | 93 |
| Operation and maintenance expense..... | 206 | 244 | 252 |
| Amortization of regulatory assets, net | 26 | 33 | 21 |
| Investment income | 22 | 17 | 15 |
| Income taxes | 121 | 113 | 100 |
| Earnings on common stock | 192 | 169 | 171 |

Results of Operations

The 1999 earnings on common stock were \$192 million compared to \$169 million in 1998 and \$171 million in 1997.

In 1999, electric revenues decreased 1% due to lower sales to other public utilities and residential customers. Fuel and purchased power expense increased 2% primarily related to higher purchased power costs. In 1998, electric revenues increased 6% due to higher sales to other public utilities and commercial business customers. Fuel and purchased power expense increased 13% primarily related to the higher sales.

Utility gas revenues and gas purchased for resale each increased 2% in 1999 due to higher sales to business customers. Utility gas revenues and gas purchased for resale in 1998 decreased 13% and 15%, respectively, due to the effects of milder weather.

Operation and maintenance expense decreased 16% in 1999 due to lower costs for insurance, claims, labor, benefits and line clearance. The 3% decrease in 1998 was due to lower insurance, claims and production maintenance costs, which were partially offset by increased compensation and benefit expense and higher electric distribution maintenance costs.

Investment income increased 31% in 1999 and 16% in 1998 due to realized gains.

Regulatory assets recorded during the phase-in of electric rates have been fully recovered. The 1992 Public Utilities Commission of Ohio ("PUCO")-approved agreement for the phase-in plan provided that after the end of the deferral period, the Company would maintain a balance sheet reserve account which shall operate to reduce the otherwise applicable jurisdictional production plant valuation subject to recovery in rates. Deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$3 million per year over the projected life of the asset.

A 1992 PUCO-approved settlement agreement and a subsequent stipulation in 1995 provided for accelerated recovery of demand-side management costs and, thereafter, production plant costs to the extent that the Company's return on equity exceeds a baseline 13%. If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose. In 1998, amortization of regulatory assets included an additional \$10 million of accelerated cost recovery. In 1999, the return on equity cap for electric operations was eliminated pursuant to the restructuring legislation discussed below.

Depreciation and amortization expense increased 7% in 1999 and 3% in 1998 primarily as a result of increased depreciable assets.

Interest expense decreased 10% in 1999 due primarily to decreased long-term and short-term debt. Interest expense increased 3% in 1998 primarily due to increased short-term debt.

Certain risks of the Company are insured through a captive insurance company wholly owned by DPL Inc.

Construction Program and Financing

Construction additions were \$80 million, \$111 million, and \$109 million in 1999, 1998 and 1997, respectively. The Company recently completed its Phase One peaking generation expansion with the addition of three GE combustion turbines representing 250 MW. The capital program for 2000 consists of construction costs of approximately \$114 million.

During 1999, total cash provided by operating activities was \$401 million. At year-end, cash and temporary cash investments were \$96 million and financial assets were \$1 million.

On February 2, 2000, DPL Inc. entered into a series of recapitalization transactions including the issuance to Kohlberg Kravis Roberts & Co. ("KKR"), an investment company, of \$550 million of a combination of voting preferred and trust preferred securities and warrants. The trust preferred securities sold to KKR have an

aggregate face amount of \$550 million, were issued at an initial discounted aggregate price of \$500 million, have a maturity of 30 years (subject to acceleration to six months after the exercise of warrants) and pay distributions at a rate of 8.5% of the aggregate face amount per year. The 6.8 million shares of mandatorily redeemable voting preferred securities, par value of \$0.01 per share, were issued at an aggregate purchase price of \$68,000 and carry voting rights for up to 4.9% of DPL Inc.'s total voting rights and the nomination of one Board seat. The 31.6 million warrants, representing approximately 19.9% of DPL Inc.'s shares currently outstanding, have a term of 12 years, an exercise price of \$21 per share and were sold for an aggregate purchase price of \$50 million. The \$550 million KKR investment closed on March 13, 2000. DPL Inc. intends to recognize the trust preferred securities original issue discount and issuance costs in 2000.

DPL Inc. intends to use the proceeds from this recapitalization, combined with \$425 million of new debt capital, to continue its planned generation strategy, to retire short-term debt and to repurchase up to 31.6 million shares of common stock. The \$425 million issuance of 8.25% Senior Notes due 2007 closed on February 24, 2000. These transactions resulted in an increase in the financial leverage of DPL Inc. in its capital structure.

On February 4, 2000, DPL Inc. initiated an Offer to Purchase for Cash up to 25 million common shares, or approximately 16% of outstanding shares, at a price of \$20-\$23, via a modified Dutch Auction process. This tender expired on March 3, 2000. Under the Offer, approximately 28 million shares, or 18% of outstanding shares, were properly tendered and not withdrawn at prices at or below \$23 per share. Therefore, the buyback was prorated with a final proration factor of 91.3%. DPL accepted for purchase 25 million shares, or 16% of its common stock, at a price of \$23 per share. DPL Inc. currently intends to purchase an additional 6.6 million shares after this offer is completed. The method, timing and financing of such purchases have not yet been decided.

Issuance of additional amounts of first mortgage bonds by the Company is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans. The Company currently has sufficient capacity to issue first mortgage bonds to satisfy its requirements in connection with the financing of its construction and refinancing programs during the five-year period 2000-2004.

At year-end 1999, the Company's senior debt credit ratings were as follows:

| | |
|-------------------------------|-----|
| Duff & Phelps, Inc. | AA |
| Standard & Poor's Corporation | AA- |
| Moody's Investors Service | Aa3 |

Following DPL Inc.'s recapitalization announcement the rating agencies confirmed new ratings as follows:

| | |
|-------------------------------|------|
| Duff & Phelps, Inc. | AA |
| Standard & Poor's Corporation | BBB+ |
| Moody's Investors Service | A2 |

The credit ratings for the Company are investment grade.

Market Risk

The carrying value of the Company's debt was \$785 million at December 31, 1999, consisting of the Company's first mortgage bonds and guaranteed air quality development obligations, notes and commercial paper. The fair value of this debt was \$776 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table presents the principal cash repayments and related weighted average interest rates by maturity date for long-term, fixed-rate debt at December 31, 1999.

| Expected Maturity Date | Long-term Debt | |
|---------------------------|----------------------------|--------------|
| | Amount (\$ in millions) | Average Rate |
| 2000 | \$ 0.4 | 6.4% |
| 2001 | 0.4 | 6.4% |
| 2002 | 0.4 | 6.4% |
| 2003 | 0.4 | 6.4% |
| 2004 | 0.4 | 6.4% |
| Thereafter | <u>660.8</u> | 7.4% |
| Total | <u>\$662.8</u> | 7.4% |
| Fair Value | \$651.4 | |

Because the long-term debt is at a fixed rate, the primary market risk to the Company is short-term interest rate risk. The carrying value and fair value of short-term debt was \$125 million with a weighted average interest rate of 5.9% at December 31, 1999. The interest expense risk related to short-term debt was estimated to be approximately an increase/decrease of \$0.5 million if the weighted average cost for each quarter increased/decreased 10%.

The fair value of available-for-sale securities was \$62 million at December 31, 1999. The equity price risk related to these securities was estimated as the potential increase/decrease in fair value of \$6 million at December 31, 1999, resulting from a hypothetical 10% increase/decrease in the market prices.

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond the Company's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules and adverse economic conditions.

Electric Restructuring Legislation

In October 1999, legislation ("the Legislation") became effective in Ohio giving electric utility customers a choice of energy providers starting January 1, 2001. Under the Legislation, electric generation, aggregation, power marketing and power brokerage services supplied to retail customers in Ohio will be deemed competitive and will not be subject to supervision and regulation by the PUCO. Existing limitations on an electric public utility's ownership rights of a non-public utility were eliminated. All earnings obligations, restrictions or caps imposed on an electric utility in a PUCO order became void as of the effective date of the Legislation.

The Legislation includes provisions for unbundling of rates into several service components, a period of transition to competitive pricing for generation and certain related services (including discontinuance of the fuel cost recovery clause), the separation of competitive and non-competitive services, the transfer of control of transmission facilities from the utility owners to separate qualifying transmission entities, a 5% rate reduction for residential customers limited to the generation portion of their bill, an employee assistance plan, consumer education and protection and changes in utility taxation. Electric prices, including the 5% residential rate cut, are capped through 2004. The estimated revenue impact of the 5% rate cut for the Company's residential customers is approximately \$45 million over five years. Also included is a provision for utilities to request recovery of certain costs relating to the transition.

As required by the Legislation, the Company filed its transition plan with the PUCO in December 1999. The Company's plan included a request for \$441 million in after-tax transition costs to be recovered through transition charges during the market development period which ends December 31, 2004. Also included in the filing is the Company's plan for corporate separation and for joining a qualified transmission entity by January 1, 2001.

The PUCO is required to issue a final order not later than 275 days after the plan is filed, or no later than October 31, 2000. The Company is unable to predict the outcome of the regulatory process which could have an impact on the Company's future financial position, earnings or cash flows. Until the outcome is known, the Company will continue to account for its generation business according to the Financial Accounting Standards Board ("FASB") Statement No. 71, "Accounting for the Effects of Certain Types of Regulation".

In 1996 and 1997, the Federal Energy Regulatory Commission ("FERC") issued orders requiring all electric utilities to file open-access transmission service tariffs. The Company's resulting tariff case proceedings with FERC staff and intervenors in 1997 and 1998 culminated in 1999 with FERC issuing an Order approving the Company's settlement with no material adverse effect to the Company.

Business Unit Evaluation

Responding to the new Ohio Legislation, the Company is separating its various business units and evaluating each unit on a stand-alone basis. Business units not complementing the Company's going-forward strategy may be divested.

The Company reached an agreement to sell its natural gas retail distribution business unit for \$425 million. This all-cash sale of assets (book value approximating \$250 million at December 31, 1999) is subject to regulatory approvals and is expected to close by the end of the second quarter, 2000. The after-tax proceeds from the sale will be used in the expansion of the electric combustion turbine business, to finance in part other business unit capital needs, to continue DPL Inc.'s stock buyback program and to reduce outstanding short-term debt.

Environmental

In November 1999, the United States Environmental Protection Agency ("EPA") filed civil complaints and Notices of Violations ("NOVs") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners Cincinnati Gas & Electric (Beckjord 6) and Columbus Southern Power (Conesville 4) and co-owned by the Company were referenced in these actions. On March 1, 2000, the U.S. EPA filed amended complaints in the civil actions that U.S. EPA had brought against the partners in November 1999. The amended complaint against Cincinnati Gas & Electric includes alleged violations pertaining to Beckjord 6. Numerous northeast states have filed complaints or have indicated that they will be joining the EPA's action against the partners. The Company was not identified in the NOVs, civil complaints or state actions. The partners will vigorously challenge the NOVs and complaints in court. At this time, it is not possible to determine the outcome of these claims or the impact, if any, on the Company.

The United States and Ohio EPAs have notified numerous parties, including the Company, that they are considered "Potentially Responsible Parties" for clean up of two hazardous waste sites in Ohio. The United States EPA has estimated total costs of under \$10 million for its preferred clean-up plans at one of these sites. The Ohio EPA has not provided an estimated cost for the second site. During 1998, the Company settled its potential liability for two other sites at a minimal cost. The final resolution of the remaining investigations is not expected to have a material effect on the Company's financial position, earnings or cash flow.

In September 1998, the United States EPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the CAA. The modified SIPs are likely to result in further nitrogen oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the

Company's total capital expenditures are estimated to be approximately \$175 million over the next five years. Industry groups and others appealed the rules in the United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others are considering an appeal of this decision. In late December 1999, the EPA issued final rules granting various CAA Section 126 petitions filed by northeast states. The Company's facilities were identified, among many others, in the rulemaking. The Company's current NOx reduction strategy to meet the SIP call is expected to satisfy the rulemaking reduction requirements.

Other Issues

The Compact Agreement between the Company and Local 175, Utility Workers of America, AFL-CIO expired on October 31, 1999. Management and Union Negotiations' Committees are discussing provisions of a new agreement that will be responsive to the changes in business conditions resulting from the Legislation.

The Company experienced no adverse Y2K effects.

Item 7A - Quantitative and Qualitative Disclosures About Market Risk

Information relating to Market Risk is contained in Item 7 – Management's Discussion and Analysis (page II-6).

Item 8 - Financial Statements And Supplementary Data

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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|------------------------|------------------------|
| | 1999 | 1998 | 1997 |
| REVENUES | | | |
| Utility service revenues-- | | | |
| Electric | \$1,058.3 | \$1,073.0 | \$1,010.0 |
| Gas | <u>215.0</u> | <u>211.2</u> | <u>244.4</u> |
| Total utility service revenues..... | <u>1,273.3</u> | <u>1,284.2</u> | <u>1,254.4</u> |
| EXPENSES | | | |
| Fuel and purchased power..... | 262.3 | 257.4 | 227.9 |
| Gas purchased for resale | 129.9 | 127.9 | 150.7 |
| Operation and maintenance..... | 206.0 | 244.3 | 251.9 |
| Depreciation and amortization (Note 1)..... | 134.0 | 125.5 | 121.8 |
| Amortization of regulatory assets, net (Note 4)..... | 25.8 | 33.0 | 20.9 |
| General taxes | <u>136.4</u> | <u>136.2</u> | <u>133.5</u> |
| Total expenses..... | <u>894.4</u> | <u>924.3</u> | <u>906.7</u> |
| INCOME | | | |
| Operating Income | 378.9 | 359.9 | 347.7 |
| Investment income..... | 22.3 | 17.0 | 14.6 |
| Interest expense..... | (79.8) | (88.6) | (86.0) |
| Other income (deductions)..... | <u>(7.8)</u> | <u>(5.8)</u> | <u>(4.7)</u> |
| INCOME BEFORE INCOME TAXES | 313.6 | 282.5 | 271.6 |
| Income Taxes (Notes 1 and 5) | <u>121.1</u> | <u>113.0</u> | <u>99.6</u> |
| NET INCOME | 192.5 | 169.5 | 172.0 |
| Preferred Dividends (Note 10)..... | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| EARNINGS ON COMMON STOCK | \$ <u>191.6</u> | \$ <u>168.6</u> | \$ <u>171.1</u> |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 1999 | 1998 | 1997 |
| OPERATING ACTIVITIES | | | |
| Cash received from utility customers | \$1,280.1 | \$1,258.0 | \$1,230.3 |
| Other operating cash receipts | 30.0 | 15.0 | 11.7 |
| Cash paid for: | | | |
| Fuel and purchased power | (263.8) | (266.5) | (235.9) |
| Purchased gas | (135.9) | (138.6) | (167.2) |
| Operation and maintenance labor | (72.8) | (84.0) | (81.4) |
| Nonlabor operating expenditures | (113.8) | (143.3) | (155.7) |
| Interest | (79.2) | (86.0) | (85.2) |
| Income taxes | (106.6) | (132.3) | (89.0) |
| General taxes | (136.7) | (131.1) | (130.5) |
| Net cash provided by operating activities (Note 13) | <u>401.3</u> | <u>291.2</u> | <u>297.1</u> |
| INVESTING ACTIVITIES | | | |
| Capital expenditures | (80.3) | (106.4) | (110.9) |
| Purchases of available-for-sale financial assets | (276.9) | (147.7) | (59.9) |
| Sales of available-for-sale financial assets | <u>61.1</u> | <u>43.9</u> | <u>14.0</u> |
| Net cash used for investing activities | <u>(296.1)</u> | <u>(210.2)</u> | <u>(156.8)</u> |
| FINANCING ACTIVITIES | | | |
| Dividends paid on common stock | (130.3) | (238.8) | (118.5) |
| Issuance of short-term debt | 112.2 | 100.2 | 69.8 |
| Parent company capital contribution (Note 9) | 245.0 | 49.0 | - |
| Retirement of long-term debt (Note 9) | (237.6) | (0.4) | (81.0) |
| Dividends paid on preferred stock | <u>(0.9)</u> | <u>(0.9)</u> | <u>(0.9)</u> |
| Net cash used for financing activities | <u>(11.6)</u> | <u>(90.9)</u> | <u>(130.6)</u> |
| Cash and temporary cash investments-- | | | |
| Net change | 93.6 | (9.9) | 9.7 |
| Balance at beginning of period | <u>1.9</u> | <u>11.8</u> | <u>2.1</u> |
| Balance at end of period | <u>\$ 95.5</u> | <u>\$ 1.9</u> | <u>\$ 11.8</u> |

NON-CASH INVESTING AND FINANCING ACTIVITIES – See Note 1 of the Consolidated Financial Statements for additional information.

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

| \$ in millions | At December 31, | |
|--|-------------------------|-------------------------|
| | 1999 | 1998 |
| ASSETS | | |
| Property | | |
| Electric property | \$3,424.1 | \$3,372.1 |
| Gas property | 332.9 | 324.6 |
| Other property | <u>16.6</u> | <u>17.8</u> |
| Total property | 3,773.6 | 3,714.5 |
| Accumulated depreciation and amortization..... | <u>(1,602.6)</u> | <u>(1,484.9)</u> |
| Net property | <u>2,171.0</u> | <u>2,229.6</u> |
| Current Assets | | |
| Cash and temporary cash investments..... | 95.5 | 1.9 |
| Accounts receivable, less provision for uncollectible accounts of \$4.3 and \$4.7 respectively..... | 206.6 | 219.2 |
| Inventories, at average cost..... | 92.9 | 112.2 |
| Taxes applicable to subsequent years | 94.6 | 93.4 |
| Other | <u>66.9</u> | <u>49.2</u> |
| Total current assets | <u>556.5</u> | <u>475.9</u> |
| Other Assets | | |
| Financial assets | 0.5 | 232.7 |
| Income taxes recoverable through future revenues (Notes 1 and 4) | 168.5 | 195.5 |
| Other regulatory assets (Note 4)..... | 53.3 | 82.2 |
| Other assets | <u>203.7</u> | <u>196.5</u> |
| Total other assets..... | <u>426.0</u> | <u>706.9</u> |
| TOTAL ASSETS | <u>\$3,153.5</u> | <u>\$3,412.4</u> |

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
(continued)

| \$ in millions | At December 31, | |
|--|-------------------------|-------------------------|
| | 1999 | 1998 |
| CAPITALIZATION AND LIABILITIES | | |
| Capitalization | | |
| Common shareholder's equity | | |
| Common stock..... | \$ 0.4 | \$ 0.4 |
| Other paid-in capital..... | 769.7 | 788.2 |
| Accumulated other comprehensive income..... | 13.6 | 33.6 |
| Earnings reinvested in the business..... | <u>513.9</u> | <u>450.8</u> |
| Total common shareholder's equity..... | 1,297.6 | 1,273.0 |
| Preferred stock (Note 10)..... | 22.9 | 22.9 |
| Long-term debt (Note 9)..... | <u>661.2</u> | <u>885.6</u> |
| Total capitalization..... | <u>1,981.7</u> | <u>2,181.5</u> |
| Current Liabilities | | |
| Short-term debt (Note 8)..... | 123.1 | 181.2 |
| Accounts payable..... | 126.2 | 106.6 |
| Accrued taxes..... | 164.2 | 160.9 |
| Accrued interest..... | 19.7 | 20.7 |
| Other..... | <u>60.9</u> | <u>50.2</u> |
| Total current liabilities..... | <u>494.1</u> | <u>519.6</u> |
| Deferred Credits And Other | | |
| Deferred taxes (Note 5)..... | 453.9 | 488.2 |
| Unamortized investment tax credit..... | 66.3 | 69.3 |
| Deferred compensation..... | 97.2 | 89.2 |
| Other..... | <u>60.3</u> | <u>64.6</u> |
| Total deferred credits and other..... | <u>677.7</u> | <u>711.3</u> |
| TOTAL CAPITALIZATION AND LIABILITIES..... | <u>\$3,153.5</u> | <u>\$3,412.4</u> |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

| \$ in millions | Common Stock (a) | | Other Paid-In Capital | Accumulated Other Comprehensive Income | Earnings Reinvested in the Business | Total |
|--|-----------------------|--------|--------------------------|---|--|-----------|
| | Outstanding Shares | Amount | | | | |
| 1997: | | | | | | |
| Beginning Balance..... | 41,172,173 | \$0.4 | \$738.9 | \$9.6 | \$468.6 | \$1,217.5 |
| Comprehensive income: | | | | | | |
| Net income | | | | | 172.0 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 10.7 | | |
| Total comprehensive income | | | | | | 182.7 |
| Common stock dividends | | | | | (118.5) | (118.5) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Other | | | 0.2 | | (0.2) | - |
| Ending balance | 41,172,173 | \$0.4 | \$739.1 | \$20.3 | \$521.0 | \$1,280.8 |
| 1998: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 169.5 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 13.3 | | |
| Total comprehensive income | | | | | | 182.8 |
| Common stock dividends | | | | | (238.8) | (238.8) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 49.0 | | | 49.0 |
| Other | | | 0.1 | | - | 0.1 |
| Ending balance | 41,172,173 | \$0.4 | \$788.2 | \$33.6 | \$450.8 | \$1,273.0 |
| 1999: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 192.5 | |
| Unrealized gains, net of reclassification adjustments, after tax (b) | | | | 4.1 | | |
| Total comprehensive income | | | | | | 196.6 |
| Common stock dividends | | | | | (129.7) | (129.7) |
| Dividend-in-kind (c) (Note 1) | | | | (24.1) | | (24.1) |
| Dividend-in-kind (Note 1) | | | (263.6) | | 1.4 | (262.2) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 245.0 | | | 245.0 |
| Other | | | 0.1 | | (0.2) | (0.1) |
| Ending balance | 41,172,173 | \$0.4 | \$769.7 | \$13.6 | \$513.9 | \$1,297.6 |

(a) 50,000,000 shares authorized.

(b) Net of taxes of \$5.8 million, \$7.2 million and \$2.2 million in 1997, 1998 and 1999 respectively.

(c) Net of taxes of \$13.1 million in 1999.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The Company is a wholly-owned subsidiary of DPL Inc. The accounts of the Company and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. In 1999, the Company transferred its ownership interests in the assets and liabilities of MacGregor Park, Inc. and DP&L Community Urban Redevelopment Corporation to DPL Inc. and transferred its ownership interests in the assets and liabilities of MVE, Inc. to Plaza Building Inc., which is another wholly-owned subsidiary of DPL Inc., via dividends-in-kind and a repayment of inter-company debt. Total assets and liabilities transferred totaled \$470.1 million and \$19.0 million, respectively.

These statements are presented in accordance with generally accepted accounting principles in the United States, which require management to make estimates and assumptions related to future events. Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation. The consolidated financial statements principally reflect the results of operations and financial condition of the Company. DPL Inc. and its other wholly owned subsidiaries provide certain administrative services to the Company. These costs were \$12.5 million in 1999, \$20.1 million in 1998 and \$53.5 million in 1997. The primary expense provided by the subsidiaries is insurance. The expense is either specifically identified with the Company or allocated based upon the relationships of payroll, revenue and/or property. Management considers the allocation methods used as reasonable and that the expenses approximate what would have been incurred on a stand-alone basis.

Revenues and Fuel

Revenues include amounts charged to customers through fuel and gas recovery clauses, which are adjusted periodically for changes in such costs. Related costs that are recoverable or refundable in future periods are deferred along with the related income tax effects. Beginning in February 2000, the Company's Electric Fuel Component ("EFC") will be fixed at 1.30¢ for the remainder of 2000. As competition begins on January 1, 2001 the EFC will become part of the Standard Offer Generation Rate. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

The Company records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of \$76.2 million in 1999 and \$99.5 million in 1998.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

When a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation. Maintenance costs and replacements of minor items of property are charged to expense.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.6%.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. Additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits, previously deferred, are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

The temporary cash investments presented on this Statement consist of liquid investments with an original maturity of three months or less.

Financial Instruments

The Company accounts for its investments in debt and equity securities by classifying the securities into different categories (held-to-maturity and available-for-sale); available-for-sale securities are carried at fair market value and unrealized gains and losses, net of deferred income taxes, are presented as a separate component of shareholders' equity for those investments. Investments classified as held-to-maturity are carried at amortized cost. The value of equity security investments and fixed maturity investments is based upon market quotations or investment cost which is believed to approximate market. The cost basis for equity security and fixed maturity investments is average cost and amortized cost, respectively.

2. Recent Accounting Standard

In 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective in 2001. This standard requires changes in the fair value of derivative financial instruments to be recognized on the balance sheet and recognized in net income or other comprehensive income depending upon the nature of the derivative. Adoption of this statement is not expected to have a significant effect on the Company's financial position or results of operations.

3. Subsequent Event

On February 2, 2000, DPL Inc. entered into a series of recapitalization transactions including the issuance to KKR, an investment company, of \$550 million of a combination of voting preferred and trust preferred securities and warrants. The trust preferred securities sold to KKR have an aggregate face amount of \$550 million, were issued at an initial discounted aggregate price of \$500 million, have a maturity of 30 years (subject to acceleration to six months after the exercise of warrants) and pay distributions at a rate of 8.5% of the aggregate face amount per year. The 6.8 million shares of mandatory redeemable voting preferred securities, par value of \$0.01 per share, were issued at an aggregate purchase price of \$68,000 and carry voting rights for up to 4.9% of DPL Inc.'s total voting rights and the nomination of one Board seat. The 31.6 million warrants, representing approximately 19.9% of DPL Inc.'s shares currently outstanding, have a term of 12 years, an exercise price of \$21 per share and were sold for an aggregate purchase price of \$50 million. The \$550 million KKR investment closed on March 13, 2000. DPL Inc. intends to recognize the trust preferred securities original issue discount and issuance costs in 2000.

DPL Inc. intends to use the proceeds from this recapitalization, combined with \$425 million of new debt capital, to continue its planned generation strategy, retire short-term debt and repurchase up to 31.6 million common shares. The \$425 million issuance of 8.25% Senior Notes due 2007 closed on February 24, 2000. These transactions resulted in an increase in the financial leverage of DPL Inc. in its capital structure.

On February 4, 2000, DPL Inc. initiated an Offer to Purchase for Cash up to 25 million common shares, or approximately 16% of outstanding shares, at a price of \$20-\$23, via a modified Dutch Auction process. This tender expired on March 3, 2000. Under the Offer, approximately 28 million shares, or 18% of outstanding shares, were properly tendered and not withdrawn at prices at or below \$23 per share. Therefore, the buyback was prorated with a final proration factor of 91.3%. DPL accepted for purchase 25 million shares, or 16% of its common stock, at a price of \$23 per share. DPL Inc. currently intends to purchase an additional 6.6 million shares after this offer is completed. The method, timing and financing of such purchases have not yet been decided.

4. Regulatory Matters

The Company applies the provisions of the FASB Statement No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting standard provides for the deferral of costs authorized for future recovery by regulators. Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| | At December 31, | |
|--|-----------------|----------------|
| | <u>1999</u> | <u>1998</u> |
| | --millions-- | |
| Income taxes recoverable through future revenues | \$168.5 | \$195.5 |
| Deferred interest (a) | 46.9 | 49.7 |
| DSM (b) | 13.2 | 19.6 |
| Phase-in (c) | (6.8) | 12.9 |
| Total | <u>\$221.8</u> | <u>\$277.7</u> |

During 1999, legislation was enacted in Ohio which will restructure the electric utility industry ("the Legislation"). Beginning in 2001, electric generation, aggregation, power marketing and power brokerage services supplied to Ohio retail customers will not be subject to regulation by the PUCO. As required by the Legislation, the Company filed a transition plan with the PUCO in 1999, which included an application for the Company to receive transition revenues to recover regulatory assets and other potentially stranded costs. The PUCO is required to determine the total allowable amount of the Company's transition costs, based on certain criteria, and the recovery period which may begin no earlier than January 2001 and end no later than 2010. Any regulatory assets which are not recoverable will be charged to expense.

(a) Interest charges related to the William H. Zimmer Generating Station which were previously deferred pursuant to PUCO approval are being amortized at \$2.8 million per year over the projected life of the asset.

(b) Demand-side management ("DSM") costs (including carrying charges) from the Company's cost-effective programs are deferred and are being recovered at approximately \$9 million per year. A 1992 PUCO-approved agreement for the DSM programs, as updated in 1995, provides for accelerated recovery of DSM costs and, thereafter, production plant costs to the extent that the Company's return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeded the baseline return by one to two percent, one-half of the excess was used to accelerate recovery of these costs. If the return was greater than two percent over the baseline, the entire excess was used for such purpose. In 1998, amortization of regulatory assets included an additional \$10.4 million of accelerated cost recovery. In 1999, the Legislation removed the return on equity cap.

(c) Amounts deferred during a 1992-1994 electric rate increase phase-in (including carrying charges) were recovered in revenues through 1999. The 1992 PUCO-approved agreement for the phase-in plan provided that after the end of the deferral period, the Company would maintain a balance sheet reserve account which shall operate to reduce the otherwise applicable jurisdictional production plant valuation subject to recovery in rates.

5. Income Taxes

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 1999 | 1998 | 1997 |
| COMPUTATION OF TAX EXPENSE | | | |
| Federal income tax (a)..... | \$109.7 | \$ 98.9 | \$ 95.0 |
| Increases (decreases) in tax from -- | | | |
| Regulatory assets | 4.4 | 4.0 | 3.6 |
| Depreciation | 13.1 | 12.5 | 11.4 |
| Investment tax credit amortized | (3.0) | (3.0) | (3.0) |
| Other, net | (3.1) | 0.6 | (7.4) |
| Total tax expense | <u>\$121.1</u> | <u>\$113.0</u> | <u>\$ 99.6</u> |
| COMPONENTS OF TAX EXPENSE | | | |
| Taxes currently payable..... | \$107.2 | \$129.2 | \$102.4 |
| Deferred taxes-- | | | |
| Regulatory assets | (5.8) | (8.3) | (4.0) |
| Liberalized depreciation and amortization..... | 5.8 | 5.9 | 5.3 |
| Fuel and gas costs | 9.2 | (5.8) | 5.5 |
| Other | 7.7 | (5.0) | (6.6) |
| Deferred investment tax credit, net..... | (3.0) | (3.0) | (3.0) |
| Total tax expense | <u>\$121.1</u> | <u>\$113.0</u> | <u>\$ 99.6</u> |

(a) The statutory rate of 35% was applied to pre-tax income.

COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

| \$ in millions | At December 31, | |
|-------------------------------------|------------------|------------------|
| | 1999 | 1998 |
| NON-CURRENT LIABILITIES | | |
| Depreciation/property basis | \$(428.0) | \$(438.2) |
| Income taxes recoverable..... | (59.0) | (68.4) |
| Regulatory assets | (16.3) | (28.0) |
| Investment tax credit..... | 23.2 | 24.2 |
| Other | <u>26.2</u> | <u>22.2</u> |
| Net non-current liability | <u>\$(453.9)</u> | <u>\$(488.2)</u> |
| Net Current Asset (Liability) | <u>\$ (9.9)</u> | <u>\$ 3.7</u> |

6. Pensions and Postretirement Benefits

000370

Pensions

Substantially all Company employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age, compensation and year of retirement. The plans are funded in amounts actuarially determined to provide for these benefits.

The interest rate for discounting the obligation and expense was 6.25% and the expected rate of return was 7.5%. Increases in compensation levels approximating 5.0% were used for all years.

The following table sets forth the components of pension expense (portions of which were capitalized):

| \$ in millions | 1999 | 1998 | 1997 |
|--------------------------------------|-----------------|-----------------|-----------------|
| <u>Expense for Year</u> | | | |
| Service cost | \$ 5.9 | \$ 5.9 | \$ 6.3 |
| Interest cost | 16.2 | 15.9 | 15.2 |
| Expected return on plan assets | (25.3) | (23.3) | (20.5) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (0.5) | 1.2 | - |
| Prior service cost | 2.1 | 2.1 | 2.1 |
| Transition obligation | (4.3) | (4.2) | (4.2) |
| Net pension cost | \$ <u>(5.9)</u> | \$ <u>(2.4)</u> | \$ <u>(1.1)</u> |

The following tables set forth the plans' obligations, assets and amounts recorded in Other assets on the Consolidated Balance sheet at December 31:

| \$ in millions | 1999 | 1998 |
|---|----------------|----------------|
| <u>Change in Projected Benefit Obligation</u> | | |
| Benefit obligation, January 1 | \$269.2 | \$259.1 |
| Service cost | 5.9 | 5.9 |
| Interest cost | 16.2 | 15.9 |
| Actuarial (gain) loss | (3.8) | 0.8 |
| Benefits paid | (14.7) | (12.5) |
| Benefit obligation, December 31 | <u>272.8</u> | <u>269.2</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 358.9 | 330.2 |
| Actual return on plan assets | 77.0 | 41.2 |
| Benefits paid | (14.6) | (12.5) |
| Fair value of plan assets, December 31 | <u>421.3</u> | <u>358.9</u> |
| Plan assets in excess of projected benefit obligation | 148.5 | 89.7 |
| Actuarial gain | (101.8) | (46.6) |
| Unamortized prior service cost | 9.8 | 11.8 |
| Unamortized transition obligation | (2.8) | (7.2) |
| Net pension assets | \$ <u>53.7</u> | \$ <u>47.7</u> |

Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. The Company has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust.

The interest rate for discounting the obligation and expense was 6.25% and the expected rate of return was 5.7%. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.0% and 8.5% for 1999 and 1998, respectively, and decreases to 5.0% by 2005. A one percentage point change in the assumed health care trend rate would affect the service and interest cost by \$0.1 million. A one percentage point increase in the assumed health care trend rate would increase the postretirement benefit obligation by \$2.0 million; and a one percentage point decrease would decrease the benefit obligation by \$1.8 million.

The following table sets forth the components of postretirement benefit expense:

| \$ in millions | 1999 | 1998 | 1997 |
|--------------------------------------|---------------|---------------|---------------|
| <u>Expense for Year</u> | | | |
| Interest cost | \$ 2.0 | \$ 2.0 | \$ 2.2 |
| Expected return on plan assets | (0.7) | (1.0) | (0.8) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (2.4) | (2.2) | (4.1) |
| Transition obligation | <u>3.0</u> | <u>3.0</u> | <u>3.0</u> |
| Postretirement benefit cost | <u>\$ 1.9</u> | <u>\$ 1.8</u> | <u>\$ 0.3</u> |

The following tables set forth the accumulated postretirement benefit obligation ("APBO"), assets and funded status amounts recorded in Other Deferred Credits on the Consolidated Balance Sheet at December 31:

| \$ in millions | 1999 | 1998 |
|--|----------------|----------------|
| <u>Change in APBO</u> | | |
| Benefit obligation, January 1 | \$ 32.9 | \$ 36.5 |
| Interest cost | 2.0 | 2.0 |
| Actuarial (gain) loss | 0.2 | (3.4) |
| Benefits paid | <u>(2.7)</u> | <u>(2.2)</u> |
| Benefit obligation, December 31 | <u>32.4</u> | <u>32.9</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 12.4 | 12.1 |
| Actual return on plan assets | (0.3) | 1.0 |
| Benefits paid | <u>(1.2)</u> | <u>(0.6)</u> |
| Fair value of plan assets, December 31 | <u>10.9</u> | <u>12.5</u> |
| APBO in excess of plan assets | 21.5 | 20.4 |
| Unamortized transition obligation | (10.0) | (12.9) |
| Actuarial gain | <u>22.7</u> | <u>26.4</u> |
| Accrued postretirement benefit liability | <u>\$ 34.2</u> | <u>\$ 33.9</u> |

7. Ownership of Facilities

The Company and other Ohio utilities have undivided ownership interests in seven electric generating facilities. Certain expenses, primarily fuel costs for the generating units, are allocable to the owners based on their energy usage. The remaining expenses, as well as investments in fuel inventory, plant materials and operating supplies, and capital additions, are allocated to the owners in accordance with their respective ownership interests. As of December 31, 1999, the Company had \$4.8 million of such facilities under construction. The Company's share of the operating cost of such facilities is included in the Consolidated Statement of Results of Operations, and its share of the investment in the facilities is included in the Consolidated Balance Sheet.

The following table presents the Company's undivided ownership interest in such facilities at December 31, 1999:

| | Company Share | | Company Investment |
|---|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Beckjord Unit 6 | 50.0 | 210 | 57 |
| Conesville Unit 4 | 16.5 | 129 | 31 |
| East Bend Station | 31.0 | 186 | 152 |
| Killen Station | 67.0 | 418 | 408 |
| Miami Fort Units 7 & 8 | 36.0 | 360 | 127 |
| Stuart Station | 35.0 | 823 | 251 |
| Zimmer Station | 28.1 | 365 | 994 |
| Transmission (at varying percentages) | | | 70 |

8. Notes Payable and Compensating Balances

DPL Inc. and its subsidiaries have \$300 million available through revolving credit agreements with a consortium of banks. One agreement, for \$200 million, expires in 2002 and the other, for \$100 million, expires in 2000. Facility fees are approximately \$315,000 per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the commercial paper program. At December 31, 1999 and 1998, DPL Inc. had no outstanding borrowings under these credit agreements.

The Company also has \$75.0 million available in short-term informal lines of credit. The commitment fees are immaterial. Borrowings at December 31, 1999 were zero and at December 31, 1998 were \$80.9 million at a weighted average interest rate of 5.46%.

The Company had \$123.1 million and \$99.0 million in commercial paper outstanding at a weighted average interest rate of 5.9% and 5.25% at December 31, 1999 and 1998, respectively.

9. Long-term Debt

000373

| \$ in millions | At December 31, | |
|--|-----------------|----------------|
| | 1999 | 1998 |
| First mortgage bonds maturing: | | |
| 2024-2026 8.01% (a) | | |
| 8.14% (b) | \$446.0 | \$671.0 |
| Pollution control series maturing through 2027 6.43% (c) | <u>106.4</u> | <u>106.8</u> |
| | 552.4 | 777.8 |
| Guarantee of Air Quality Development Obligations | | |
| 6.10% Series Due 2030 | 110.0 | 110.0 |
| Unamortized debt discount and premium (net) | <u>(1.2)</u> | <u>(2.2)</u> |
| Total | <u>\$661.2</u> | <u>\$885.6</u> |

- (a) Weighted average interest rate for 1999.
(b) Weighted average interest rate for 1998.
(c) Weighted average interest rate for 1999 and 1998.

The amounts of maturities and mandatory redemptions for first mortgage bonds and notes are \$0.4 million per year in 2000 through 2004. Substantially all property of the Company is subject to the mortgage lien securing the first mortgage bonds.

During 1999, DPL Inc. completed a private placement issuance of \$500 million of Senior Notes due 2004, with an interest rate of 6.32%. DPL Inc. made an additional capital contribution of \$245 million to the Company in 1999. These proceeds and contributions were used for the redemption of the Company's \$225 million 8.40% Series of First Mortgage Bonds, the reduction of short-term debt and for general corporate purposes.

10. Preferred Stock

\$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series | Rate | Current Redemption Price | Current Shares Outstanding | Par Value At December 31, 1999 and 1998 (\$ in millions) |
|--------|-------|--------------------------------|----------------------------------|--|
| A | 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B | 3.75% | \$103.00 | 69,398 | 7.0 |
| C | 3.90% | \$101.00 | <u>65,830</u> | <u>6.6</u> |
| Total | | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of the Company at the per share prices indicated, plus cumulative accrued dividends.

11. Fair Value of Financial Instruments 000374

| \$ in millions | At December 31, | | | | | | | |
|---------------------------------------|-----------------|--------------------------|---------|---------|------------|--------------------------|---------|------------|
| | Fair Value | 1999 Gross Unrealized | | Cost | Fair Value | 1998 Gross Unrealized | | Cost |
| | | Gains | Losses | | | Gains | Losses | |
| Assets | | | | | | | | |
| Available-for-sale equity securities: | \$ 62.4 | \$20.7 | - | \$ 41.7 | \$ 299.4 | \$55.2 | \$(3.5) | \$ 247.7 |
| Held-to-maturity securities: | | | | | | | | |
| Debt securities (a) | \$ 45.8 | - | \$(1.1) | \$ 46.9 | \$ 51.1 | \$ 1.3 | - | \$ 49.8 |
| Temporary cash investments | 82.0 | - | - | 82.0 | 4.4 | - | - | 4.4 |
| Total | \$127.8 | - | \$(1.1) | \$128.9 | \$ 55.5 | \$ 1.3 | - | \$ 54.2 |
| Liabilities (b) | | | | | | | | |
| Debt | \$774.4 | | | \$784.7 | \$1,152.5 | | | \$ 1,067.3 |

(a) Maturities range from 1999 to 2010.

(b) Includes current maturities.

Gross realized gains (losses) were \$12.4 million and \$(1.0) million in 1999, \$6.3 million and no losses in 1998 and \$3.8 million and \$(0.3) million in 1997, respectively.

12. Sale of the Gas Business

In December 1999, the Company reached an agreement to sell its natural gas retail distribution business for \$425 million in cash. Completion of the sale of assets (book value approximating \$250 million at December 31, 1999) is dependent upon receiving all regulatory approvals.

13. Reconciliation of Net Income to Net Cash Provided by Operating Activities

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 1999 | 1998 | 1997 |
| Net income | \$192.5 | \$169.5 | \$172.0 |
| Adjustments: | | | |
| Depreciation and amortization | 134.0 | 125.5 | 121.8 |
| Deferred income taxes | 13.9 | (16.2) | (2.8) |
| Other deferred credits | 3.7 | 15.4 | 18.9 |
| Amortization of regulatory assets, net | 25.8 | 33.0 | 20.9 |
| Operating expense provisions | (10.3) | 10.0 | (21.7) |
| Accounts receivable | 12.6 | (13.5) | (12.4) |
| Accounts payable | 24.8 | (21.0) | 16.4 |
| Accrued taxes | 3.3 | 3.1 | 21.2 |
| Inventory | 19.3 | (25.1) | (12.0) |
| Other | (18.3) | 10.5 | (25.2) |
| Net cash provided by operating activities | <u>\$401.3</u> | <u>\$291.2</u> | <u>\$297.1</u> |

14. Business Segment Reporting

The Company provides energy services to its customers within a 6,000 square mile territory. The Company sells and distributes electricity and natural gas to residential, commercial, industrial and governmental customers. As a result of the Legislation, the Company has begun aligning its business units. For purposes of the segment disclosure required by the FASB Statement No. 131, "Disclosure About Segments of an Enterprise and Related Information," the Company's results are classified in two segments, electric and natural gas.

| SEGMENT INFORMATION | 1999 | 1998 | 1997 |
|--|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Electric | | | |
| Revenue from external customers | 1,058.3 | 1,073.0 | 1,010.0 |
| Intersegment revenues | 2.2 | 2.5 | 5.0 |
| Depreciation and amortization | 125.9 | 118.0 | 114.4 |
| Earnings before interest and taxes | 353.9 | 336.2 | 326.3 |
| Segment assets | 2,584.0 | 2,702.1 | 2,752.0 |
| Expenditures – construction additions | 69.9 | 101.1 | 92.8 |
| Natural Gas | | | |
| Revenue from external customers | 215.0 | 211.2 | 244.4 |
| Intersegment revenues | 3.9 | 2.8 | 2.0 |
| Depreciation and amortization | 8.1 | 7.5 | 7.4 |
| Earnings before interest and taxes | 27.2 | 23.9 | 21.8 |
| Segment assets | 321.7 | 322.7 | 306.1 |
| Expenditures – construction additions | 9.6 | 9.7 | 16.3 |
| Total | | | |
| Revenue from external customers | 1,273.3 | 1,284.2 | 1,254.4 |
| Intersegment revenues | 6.1 | 5.3 | 7.0 |
| Depreciation and amortization | 134.0 | 125.5 | 121.8 |
| Earnings before interest and taxes | 381.1 | 360.1 | 348.1 |
| Segment assets | 2,905.7 | 3,024.8 | 3,058.1 |
| Expenditures – construction additions | 79.5 | 110.8 | 109.1 |
| RECONCILIATION (a) | | | |
| Profit or Loss | | | |
| Total segment earnings before interest and taxes | \$ 381.1 | \$ 360.1 | \$ 348.1 |
| Unallocated corporate expenses | (2.2) | (0.2) | (0.4) |
| Investment income | 22.3 | 17.0 | 14.6 |
| Other income and deductions | (7.8) | (5.8) | (4.7) |
| Interest expense | (79.8) | (88.6) | (86.0) |
| Income Before Income Taxes | <u>\$ 313.6</u> | <u>\$ 282.5</u> | <u>\$ 271.6</u> |
| Assets | | | |
| Total segment assets | \$2,905.7 | \$3,024.8 | \$3,058.1 |
| Unallocated corporate assets | <u>247.8</u> | <u>387.6</u> | <u>268.7</u> |
| Total Assets | <u>\$3,153.5</u> | <u>\$3,412.4</u> | <u>\$3,326.8</u> |

(a) For categories not reconciled above, segment totals equal consolidated totals.

000376

SELECTED QUARTERLY INFORMATION (Unaudited)

| \$ in millions | March 31, | | June 30, | | September 30, | | December 31, | |
|----------------------------------|-----------|-------|----------|-------|---------------|-------|--------------|-------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| | \$ | | \$ | | \$ | | \$ | |
| Utility service revenues | 362.9 | 352.9 | 277.2 | 293.2 | 319.8 | 319.2 | 313.4 | 318.9 |
| Income before income taxes | 116.4 | 110.7 | 58.2 | 60.4 | 94.3 | 76.4 | 44.7 | 35.0 |
| Net income | 71.9 | 69.5 | 36.9 | 36.2 | 56.3 | 45.1 | 27.4 | 18.7 |
| Earnings on common stock | 71.7 | 69.3 | 36.7 | 36.0 | 56.1 | 44.9 | 27.1 | 18.4 |
| Cash dividends paid | 55.9 | 116.8 | 26.0 | 55.2 | - | 38.1 | 48.4 | 28.7 |

FINANCIAL AND STATISTICAL SUMMARY (Unaudited)

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---------------|---------------|---------------|---------------|---------------|
| For the years ended December 31, | | | | | |
| Utility service revenues (millions) | \$ 1,273.3 | 1,284.2 | 1,254.4 | 1,258.4 | 1,257.5 |
| Earnings on common stock (millions) | \$ 191.6 | 168.6 | 171.1 | 163.9 | 158.5 |
| Earnings per share of common stock | \$ 4.65 | 4.10 | 4.16 | 3.98 | 3.85 |
| Cash dividends paid (millions) | \$ 130.3 | 238.8 | 118.5 | 138.3 | 132.6 |
| Electric sales (millions of kWh)-- | | | | | |
| Residential | 4,725 | 4,790 | 4,788 | 4,924 | 4,871 |
| Commercial | 3,390 | 3,518 | 3,408 | 3,407 | 3,425 |
| Industrial | 4,876 | 4,655 | 4,749 | 4,540 | 4,401 |
| Other | <u>3,876</u> | <u>4,518</u> | <u>3,664</u> | <u>3,443</u> | <u>4,117</u> |
| Total | 16,867 | 17,481 | 16,609 | 16,314 | 16,814 |
| Gas sales (thousands of MCF)-- | | | | | |
| Residential | 24,450 | 24,877 | 29,277 | 31,087 | 29,397 |
| Commercial | 7,647 | 7,433 | 9,567 | 9,424 | 8,307 |
| Industrial | 2,246 | 1,916 | 2,520 | 3,404 | 2,584 |
| Other | 1,182 | 1,699 | 2,153 | 2,829 | 3,006 |
| Transported gas | <u>20,190</u> | <u>17,788</u> | <u>18,523</u> | <u>16,953</u> | <u>16,376</u> |
| Total | 55,715 | 53,713 | 62,040 | 63,697 | 59,670 |
| At December 31, | | | | | |
| Total assets (millions) | \$ 3,153.5 | 3,412.4 | 3,326.8 | 3,243.2 | 3,204.3 |
| Long-term debt (millions) | \$ 661.2 | 885.6 | 886.0 | 926.3 | 991.5 |
| First mortgage bond ratings-- | | | | | |
| Duff & Phelps, Inc. | AA | AA | AA | AA | AA |
| Standards & Poor's Corporation | AA- | AA- | AA- | AA- | AA- |
| Mooey's Investors Service | Aa3 | Aa3 | Aa3 | Aa3 | Aa3 |
| Number of Preferred Shareholders | 509 | 559 | 625 | 684 | 733 |

Report of Independent Accountants

000378

To the Board of Directors and Shareholder of The Dayton Power and Light Company

In our opinion, the consolidated financial statements listed in the index, appearing under Item 14(a)(1) on page IV-1, present fairly, in all materials respects, the financial position of The Dayton Power and Light Company and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page IV-1, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Dayton, Ohio
January 21, 2000, except for Note 3,
as to which the date is March 13, 2000.

Item 9 - Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

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PART III

Item 10 - Directors And Executive Officers Of The Registrant

Directors of the Registrant

The Company's directors are to be elected this year to serve until the Annual Meeting of Shareholders in 2001 or until their successors are duly elected and qualified. Should any nominee become unable to accept nomination or election, the Board will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee. The directors of the Company are also directors of DPL Inc.

On February 1, 2000, DPL Inc. signed a definitive agreement with affiliates of Kohberg Kravis Roberts & Co. ("KKR"), an investment company, under which KKR will make a strategic investment of \$550 million in the Company. DPL Inc. intends to use the proceeds of this investment, combined with \$425 million of new debt capital, to continue its planned generation strategy, retire short-term debt and repurchase up to 31.6 million common shares.

Upon the closing of the KKR transaction on March 13, 2000, the size of DPL Inc.'s and the Company's Board was increased from nine to eleven directors. George R. Roberts and Scott M. Stuart, partners of KKR, were appointed by the Board to fill the newly created vacancies. KKR will have the right to nominate one person for election to the Board of Directors so long as it maintains a specified investment in DPL Inc.'s securities.

The following information regarding the nominees is based on information furnished by them:

| | Director Since |
|--|-------------------|
| THOMAS J. DANIS, Age 50 Chairman and Chief Executive Officer, The Danis Companies, Dayton, Ohio, construction, real estate and environmental services. Trustee: Miami Valley Research Park Foundation. | 1989 |
| JAMES F. DICKE, II, Age 54 President, Crown Equipment Corporation, New Bremen, Ohio, international manufacturer and distributor of electric lift trucks and material handling products. Director: Regional Boys and Girls Clubs of America, Anderson-Cooke, Inc., Dayton Art Institute. Chairman: Trinity University Board of Trustees. Secretary: Culver Educational Foundation. | 1990 |

| | |
|---|------|
| <p>PETER H. FORSTER, Age 57</p> <p>Chairman, DPL Inc. and The Dayton Power and Light Company.</p> <p>Chairman: Miami Valley Research Foundation.</p> <p>Director: Amcast Industrial Corp.</p> <p>Trustee: F. M. Tait Foundation.</p> | 1979 |
| <p>ERNIE GREEN, Age 61</p> <p>President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio, automotive components manufacturer.</p> <p>Director: Pitney Bowes Inc., Eaton Corp.</p> | 1991 |
| <p>JANE G. HALEY, Age 69</p> <p>President and Chief Executive Officer, Gosiger, Inc., Dayton, Ohio, national importer and distributor of machine tools.</p> <p>Director: The Ultra-Met Company, Urbana, Ohio, ONA America, Dayton, Ohio.</p> <p>Trustee: University of Dayton, Chaminade-Julienne High School, Dayton, Ohio.</p> <p>Member: Area Progress Council, Miami Valley Economic Development Coalition.</p> | 1978 |
| <p>ALLEN M. HILL, Age 54</p> <p>President and Chief Executive Officer, DPL Inc. and The Dayton Power and Light Company.</p> <p>Director: Fifth Third Bank, Premier Health Partners.</p> <p>Trustee: Dayton Business Committee, The University of Dayton, Air Force Museum Foundation, Alliance Community Schools.</p> | 1989 |
| <p>W AUGUST HILLENBRAND, Age 59</p> <p>Chief Executive Officer, Hillenbrand Industries, Batesville, Indiana, a diversified public holding company with three wholly-owned and autonomously operated subsidiaries manufacturing caskets, hospital furniture, hospital supplies, and providing funeral planning services.</p> <p>Director: Forecorp, Inc., Forethought Life Insurance Company, Hon Industries.</p> <p>Trustee: National Committee for Quality Health Care, Batesville Girl Scouts.</p> <p>Trustee Emeritus: Denison University.</p> | 1992 |

Director
Since
1994

DAVID R. HOLMES, Age 59

Chairman and Chief Executive Officer, The Reynolds and Reynolds Company, Dayton, Ohio, information management systems.

Director: NCR Corporation, Dayton, Ohio.

Advisor: J. L. Kellogg Graduate School of Management, Northwestern University.

Member: Dayton Business Committee, Area Progress Council, Downtown Dayton Partnership.

BURNELL R. ROBERTS, Age 72

1987

Retired Chairman of the Board and Chief Executive Officer, The Mead Corporation, Dayton, Ohio, forest products producer.

Principal: Pembroke Associates.

Director: Rayonier, Inc., Vutek, Inc.

Trustee: Granum Value Fund.

GEORGE R. ROBERTS, Age 56

2000

Founding Partner of KKR and a managing member of KKR & Co. LLC, New York City, investment company.

Director: Accuride Corporation, Amphenol Corporation, Borden, Inc., The Boyds Collection, Ltd., Evenflo Company Inc., IDEX Corporation, KinderCare Learning Center, Inc., KSL Recreation Group, Inc., Owens-Illinois, Inc., PRIMEDIA, Inc., Regal Cinemas, Inc., RELTEC Corporation, Safeway Inc., Spalding Holdings Corporation.

Trustee: Claremont McKenna College, Culver Military Academy.

Member: San Francisco Symphony, San Francisco Ballet, Fine Arts Museum.

SCOTT M. STUART, Age 40

2000

Partner of KKR and member of KKR & Co. LLC, New York City, investment company.

Director: AEP Industries Inc., Borden, Inc., The Boyds Collection, Ltd., KSL Recreation Corp.

Board Member: The Boys Club of New York, Greenwich Country Day School, WNET/Channel 13.

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**EXECUTIVE OFFICERS OF THE REGISTRANT
(As of February 1, 2000)**

| Name | Age | Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated) | Dates |
|------------------------|-----|--|--|
| Peter H. Forster | 57 | Chairman Chairman, DPL Inc. Chairman and Chief Executive Officer, DPL Inc. Chairman, President and Chief Executive Officer, DPL Inc. | 4/06/92 - 2/01/00 1/01/97 - 3/01/98 9/26/95 - 1/01/97 4/05/88 - 9/26/95 |
| Allen M. Hill | 54 | President and Chief Executive Officer President and Chief Executive Officer, DPL Inc. President and Chief Operating Officer, DPL Inc. | 4/06/92 - 2/01/00 1/01/97 - 3/01/98 9/26/95 - 1/01/97 |
| Stephen P. Bramlage | 53 | Assistant Vice President | 1/01/94 - 2/01/00 |
| Stephen F. Koziar, Jr. | 55 | Group Vice President and Secretary, DPL Inc. and the Company | 1/31/95 - 2/01/00 |
| Judy W. Lansaw | 48 | Group Vice President, DPL Inc. and the Company | 1/31/95 - 2/01/00 |
| Arthur G. Meyer | 50 | Vice President, Legal and Corporate Affairs Director, Corporate Relations Treasurer Director, Financial Activities | 11/21/97 - 2/01/00 5/14/96 - 11/21/97 6/27/95 - 5/14/96 5/09/94 - 6/27/95 |
| Bryce W. Nickel | 43 | Assistant Vice President | 1/01/94 - 2/01/00 |
| H. Ted Santo | 49 | Group Vice President | 12/08/92 - 2/01/00 |
| Patricia K. Swanke | 41 | Vice President, Operations Managing Director Operations Director Director, Steam Operations | 9/29/99 - 2/01/00 9/08/96 - 9/29/99 7/27/95 - 9/08/96 5/09/94 - 7/27/95 |

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive \$12,000 annually for services as a director, \$1,000 for attendance at a Board meeting, and \$500 for attendance at a committee meeting or operating session of DPL Inc. and the Company. Members of the Executive Committee of DPL Inc. receive \$2,000 annually for services on that committee. Each committee chairman receives an additional \$1,600 annually. Directors who are not employees of the Company have participated in a Directors' Deferred Stock Compensation Plan (the "Stock Plan") under which a number of DPL Inc. common shares were awarded to directors each year. All shares awarded under the Stock Plan were transferred to a grantor trust (the "Master Trust") maintained by DPL Inc. to secure its obligations under various directors' and officers' deferred and incentive compensation plans. In April 1999, each non-employee director was awarded 2,700 shares. Commencing in 2000, no additional share awards will be made under the Stock Plan. Non-employee directors instead will be eligible to receive grants of stock options under the DPL Inc. Stock Option Plan.

DPL Inc. maintains a Deferred Compensation Plan (the "Compensation Plan") for non-employee directors of DPL Inc. and the Company in which payment of directors' fees may be deferred. The Compensation Plan also includes a supplementary deferred income program which provides that DPL Inc. will match \$5,000 annually of deferred directors' fees for a maximum of ten years. Under the supplementary program, a \$150,000 death benefit is provided until such director ceases to participate in the Compensation Plan. Under the standard deferred income program directors are entitled to receive a lump sum payment or payments in installments over a period up to 20 years. A director may elect payment in either cash or common shares. Participants in the supplementary program are entitled to receive deferred payments over a ten-year period in equal installments. The Compensation Plan provides that in the event of a change in control of DPL Inc., as defined in the Compensation Plan, all benefits provided under the supplementary deferred income program become immediately vested without the need for further contributions by the participants and the discretion which, under the Compensation Plan, is exercisable by the Chief Executive Officer of DPL Inc. will be exercised by the trustees of the Master Trust. Effective January 31, 2000, the supplementary program was terminated for current directors and the value of each director's supplementary account transferred to his or her standard deferral account.

Mr. Forster, who retired as Chief Executive Officer of DPL Inc. effective December 31, 1996, entered into a three year agreement with DPL Inc. and the Company pursuant to which he serves as Chairman of the Board of DPL Inc. and the Company and provides advisory and strategic planning services. The term of the agreement is automatically extended each December 31 for an additional year unless either party gives advance notice of nonrenewal. For these services, Mr. Forster receives an annual consulting fee of \$550,000 (as well as such bonuses, if any, as may be determined by the Compensation and Management Review Committee in its discretion) and an award opportunity of 60,000 restricted shares under the Stock Plan.

Commencing in 2000, Mr. Forster will participate in DPL Inc.'s Stock Option Plan and will no longer receive restricted share awards under the Stock Plan. As Chairman, Mr. Forster is responsible for the long-term strategic planning of the Company, the oversight of financial assets, and the evaluation and recommendations relating to the merger, acquisition and disposition of utility assets. Mr. Forster participates in an incentive program for individuals managing financial assets. Under this program, incentives will be paid in 2000 based on net cumulative investment performance of such assets over the four-year period 1996 through 1999 and for each year thereafter based on annual performance.

Stock Option Plan

In 2000, the Company eliminated its officer and director stock plans. The DPL Inc. Stock Option Plan (the "Plan") will replace the Management Stock Incentive Plan ("MSIP") and the Directors' Deferred Stock Compensation Plan as the primary long-term incentive program for executives and directors. The Stock Option Plan is intended to align the interests of management and the directors with those of shareholders by directly linking long-term incentive compensation opportunities to increases in share price. Executives and directors will forego a number of benefits under current plans and programs as a result of the changes, including benefits the level of which are not tied to increases in share price, and in their place will receive three-year option grants under the Plan. In addition, to encourage long-term employment with the Company, management options vest in equal increments over a five-year period. Further, earned Restricted Share Units under the MSIP will be locked up (i.e., not payable) for five years.

One of the purposes of the Annual Meeting of DPL Inc. is to consider and vote upon approval of the Plan. The Plan was adopted by the Board of Directors on February 1, 2000, subject to approval by shareholders. The purpose of the Plan is to promote the interests of the Company and its shareholders by (i) attracting and retaining individuals eligible to participate in the Plan; (ii) motivating such individuals by providing incentive to contribute to the Company's future success; and (iii) aligning the interests of such individuals with the interests of the Company's shareholders. The principal provisions of the Plan are summarized below.

The Plan will be administered by the Compensation and Management Review Committee of the Board of Directors or such other committee as may be designated by the Board (the "Committee"). Any officer or other key employee, director or consultant of the Company or any of its subsidiaries will be eligible to be designated a participant under the Plan. As of February 1, 2000, approximately 30 individuals participated in the Company's executive compensation programs for key employees, officers and directors. The Committee has the sole and complete authority to determine the participants to whom options will be granted under the Plan.

The Plan authorizes the grant of options to purchase a maximum of 8,000,000 Common Shares of the Company in the aggregate, subject to adjustment to avoid dilution or enlargement of intended benefits in the event of certain significant corporate events. Options granted are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986 (the "Code"). The maximum number of shares with respect to which options may be granted to any individual participant under the Plan may not exceed 2,500,000. If, after the effective date of the Plan, any shares covered by an option granted under the Plan are forfeited, or if an option has expired, terminated or been cancelled for any reason whatsoever (other than by reason of exercise), then the shares covered by such option will again be available for the grant of options under the Plan. The shares delivered upon exercise of options granted under the Plan may be either authorized but unissued shares or treasury shares. On February 1, 2000, the date option grants were made under the Plan, the last reported sale price of the Common Shares on the New York Stock Exchange was \$19 1/16 per share and the option exercise price was set at \$21. The closing price on February 24, 2000 was \$20 1/4 per share.

Options granted under the Plan will be subject to such terms, including vesting and exercise price, as may be determined by the Committee and specified in the applicable option agreement, except that the exercise price of an option cannot be less than the fair market value of the underlying shares on the date of grant and the term of an option may not exceed ten years. Options granted under the Plan are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

Payment of the exercise price of an option granted under the Plan may be made (i) in cash or check (or, if so determined by the Committee, with the proceeds of a loan advanced by the Company for purposes of paying the exercise price), (ii) by exchanging Common Shares owned by the optionee or (iii) subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the shares being acquired upon exercise of the option and to deliver promptly to the Company an amount equal to the aggregate exercise price, or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of shares so tendered to the Company is at least equal to the aggregate exercise price of the option.

Each option, and each right under any option, will be exercisable only by the participant during the participant's lifetime or, if permissible under applicable law, by the participant's guardian or legal representative. No option may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a participant otherwise than by will or by the laws of descent and distribution. The Committee has the discretion to provide that options granted under the Plan may be transferred without consideration to certain family members or trusts, partnerships or limited liability companies whose only beneficiaries, partners or members are the original grantee and/or such family members.

The Committee has the discretion to provide that in the event of a "change of control" (as defined in the Plan), any outstanding options held by participants which are unexercisable or otherwise unvested will automatically be deemed exercisable or vested.

The Board of Directors may amend, suspend or terminate the Plan or any portion of the Plan at any time, provided that no such amendment, suspension or termination (i) may impair the rights of any participant with respect to options previously granted under the Plan without the participant's consent or (ii) operate to increase the number of shares available for options, decrease the exercise price of any option or change the definition of eligible employee without shareholder approval, except for share or price adjustments in the event of certain significant corporate events.

The Plan will remain in effect until all options granted under the Plan have been exercised or terminated.

New Plan Benefits

The following table sets forth information concerning options that have been granted under the Plan, subject to shareholder approval of the Plan. These option grants represent a three-year block grant. Each executive was granted a number of option shares equal to three times the executive's earned Restricted Share Units held in the Master Trust under the MSIP. These Restricted Share Units, which are payable in shares, will remain locked up for a five-year period.

| <u>Name and Position</u> | <u>Restricted Share Units Locked Up For 5 Years</u> | <u>3 Year Option Grants With 5 Year Vesting</u> |
|--|--|--|
| Allen M. Hill President and Chief Executive Officer | 450,000 | 1,350,000 (1) |
| Peter H. Forster Chairman | 800,000 | 2,400,000 (1) |
| Judy W. Lansaw Group Vice President | 175,000 | 525,000 (1) |
| Stephen F. Koziar, Jr. Group Vice President and Secretary | 165,000 | 495,000 (1) |
| H. Ted Santo Group Vice President | 125,000 | 375,000 (1) |
| All executive officers as a group | 1,715,000 | 6,150,000 (1) |
| All directors who are not executive officers as a group | -- | 350,000 (2) |
| All employees who are not executive officers as a group | 335,000 | 1,050,000 (1) |

- (1) Options granted on February 1, 2000 at an exercise price of \$21 per share. The closing price on February 1, 2000 was \$19 1/16 per share. These options vest in five cumulative installments of 20% on December 31, 2000, 2001, 2002, 2003, and 2004, become exercisable on January 1, 2005, and expire on February 1, 2010.
- (2) Each non-employee director was granted an option to purchase 50,000 shares on February 1, 2000 at an exercise price of \$21 per share. The closing price on February 1, 2000 was \$19 1/16 per share. These options become exercisable upon shareholder approval of the Plan and expire on February 1, 2010.

EXECUTIVE OFFICER COMPENSATION

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Summary Compensation Table

Set forth below is certain information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company for the last three fiscal years, for services rendered in all capacities to the Company, DPL Inc., and the other subsidiaries of DPL Inc.

| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation | | All Other Compensation (4) |
|--|------|---------------------|----------------|---------------------------------|-----------------------|----------------------------|
| | | Salary (\$) | Bonus (1) (\$) | Restricted Share Units (2) (\$) | LTIP Payouts (3) (\$) | |
| Allen M. Hill President and Chief Executive Officer | 1999 | 550,000 | 462,000 | - | 525,000 | 1,000 |
| | 1998 | 500,000 | 300,000 | 505,000 ('99-01) | 275,000 | 1,000 |
| | 1997 | 430,000 | 258,000 | 834,000 ('98-00) | - | 1,000 |
| Peter H. Forster (4) Chairman | 1999 | 500,000 | 250,000 | - | 1,130,000 | 84,000 |
| | 1998 | 500,000 | 200,000 | 420,000 ('99-01) | 1,130,000 | 87,000 |
| | 1997 | 500,000 | 150,000 | 840,000 ('98-00) | 1,130,000 | 70,400 |
| Judy W. Lansaw Group Vice President | 1999 | 280,000 | 180,000 | - | - | 1,000 |
| | 1998 | 264,000 | 119,000 | 197,000 ('99-01) | - | 1,000 |
| | 1997 | 240,000 | 108,000 | 411,000 ('98-00) | - | 1,000 |
| Stephen F. Koziar, Jr. Group Vice President and Secretary | 1999 | 259,000 | 166,000 | - | 350,000 | 1,000 |
| | 1998 | 244,000 | 110,000 | 186,000 ('99-01) | 200,000 | 1,000 |
| | 1997 | 231,000 | 104,000 | 234,000 ('98-00) | 504,000 | 1,000 |
| H. Ted Santo Group Vice President | 1999 | 258,000 | 139,000 | - | - | 1,000 |
| | 1998 | 243,000 | 109,000 | 176,000 ('99-01) | - | 1,000 |
| | 1997 | 226,000 | 102,000 | 297,000 ('98-00) | - | 1,000 |

(1) Amounts in this column represent awards made under the Management Incentive Compensation Program. Awards are based on achievement of specific predetermined operating and management goals in the year indicated and paid in the year earned or in the following year.

(2) Amounts shown in this column represent the dollar value of Restricted Stock Units ("RSUs") awarded to the named executive officer under the Management Stock Incentive Plan ("MSIP") based on the closing price of a DPL Inc. common share on the New York Stock Exchange--Consolidated Transactions Tape on the date of award. Commencing in 2000, the Stock Option Plan will replace the MSIP and no additional awards will be made under the MSIP.

Awards covered a three-year performance period. For plan years '98-00, earning of RSUs was dependent on the extent that the DPL Inc. average return on equity ("ROE") exceeded the Regulatory Research Associates industry median. For the '99-01 plan, earning of RSUs was dependent on the extent the DPL Inc. average ROE and total return to shareholders exceeded the RRA industry median. Depending on the performance of DPL Inc., these RSUs could be earned in amounts ranging from 0% to 200% of the target award. As a result of replacing the MSIP with the Stock Option Plan, outstanding awards under the MSIP were concluded by crediting two-thirds and one-third of the RSUs awarded for plan years '98-00 and '99-01, respectively, as earned at 150% of the target award. Amounts shown for 1997 and 1998 reflect this action. These RSUs vest in one-third annual increments ending in 2002. RSUs earned under the MSIP are not payable until 2005.

For each RSU which is earned and vests, a participant receives the equivalent of one DPL Inc. common share plus dividend equivalents from the date of the award. All payouts of vested RSUs under the MSIP are deferred until retirement and are made in DPL Inc. common shares.

- (3) Amounts in this column represent annualized incentives earned by the named executive officer under a long-term incentive program for individuals managing financial assets of DPL Inc. Incentives were earned based on net cumulative investment performance of such assets over the four year period 1996 through 1999. The financial asset portfolio value was \$1.1 billion at December 31, 1999, contributed \$105 million to income during the 1997-1999 period and had \$167 million in unrealized gains at December 31, 1999. Beginning in 2000, incentives will be earned based on annual performance.
- (4) Amounts in this column represent employer-matching contributions on behalf of each named executive under the DP&L Employee Savings Plan made to the DPL Inc. Employee Stock Ownership Plan.
- (5) Annual compensation shown for Mr. Forster for 1997, 1998 and 1999 was paid pursuant to an agreement with DPL Inc. and the Company. Long term compensation award opportunities shown for 1997, 1998 and 1999 represent the dollar value of restricted shares awarded to Mr. Forster under the Directors' Stock Plan which are subject to the same earning and vesting criteria generally applicable to RSUs. All other compensation shown for 1999 represents directors fees of \$37,000 and the dollar value of the annual award of 2,700 shares to each non-employee director under the Directors' Stock Plan, for 1998 represents directors fees of \$37,000 and an annual award of 2,700 shares under the Directors' Stock Plan and for 1997 represents directors fees of \$32,600 and an award of 2,400 shares under the Directors' Stock Plan. Participation in the Director compensation program by Mr. Forster was terminated in 2000.

Contingent Long-Term Incentive Plan Awards in 1999

A one-time contingent award of Restricted Share Units to the named executive officers under the MSIP was approved by the Compensation Committee in 1999. These awards will be earned only if the closing price of DPL Inc. common shares on the NYSE - Consolidated Transactions Tape achieves \$26 per share between June 1999 and July 1, 2001.

| Name | Number of Restricted Share Units | Performance or Other Period Until Maturation or Payout |
|-----------------------|---|---|
| Allen M. Hill | 80,000 | 2 years |
| Peter H. Forster | 80,000 | 2 years |
| Judy W. Lansaw | 80,000 | 2 years |
| Stephen F. Koziar, Jr | 80,000 | 2 years |
| H. Ted Santo | 40,000 | 2 years |

Certain Severance Pay Agreements

DPL Inc. has in place severance pay agreements with each of Messrs. Hill, Koziar, and Santo and Ms. Lansaw providing for the payment of severance benefits in the event that the individual's employment with DPL Inc. or its subsidiaries is terminated under specified circumstances within three years after a change in control of DPL Inc. or DP&L (generally, defined as the acquisition of 50% or more of the voting securities

(15% or more without board approval) or certain mergers or other business combinations). The agreements entered into between 1987 and 1991 require the individuals to remain with DPL Inc. throughout the period during which any change of control is pending in order to help put in place the best plan for the shareholders. The principal severance benefits under each agreement include payment of the following: (i) the individual's full base salary and accrued benefits through the date of termination and any awards for any completed or partial period under the MICP and the individual's award for the current period under the MICP (or for a completed period if no award for that period has yet been determined) fixed at an amount equal to his average annual award for the preceding three years; (ii) 300% of the sum of the individual's annual base salary at the rate in effect on the date of termination (or, if higher, at the rate in effect as of the time of the change in control) plus the average amount awarded to the individual under the MICP for the three preceding years; (iii) all awarded or earned but unpaid RSUs; and (iv) continuing medical, life, and disability insurance. In the event any payments under these agreements are subject to an excise tax under the Internal Revenue Code of 1986, the payments will be adjusted so that the total payments received on an after-tax basis will equal the amount the individual would have received without imposition of the excise tax. The severance pay agreements are effective for one year but are automatically renewed each year unless DPL Inc. or the participant notifies the other one year in advance of its or his or her intent not to renew. DPL Inc. has agreed to secure its obligations under the severance pay agreements by transferring required payments to the Master Trust. Mr. Forster's agreement with DPL Inc. and DP&L contains similar severance benefits provisions.

Pension Plans

The following table sets forth the estimated total annual benefits payable under the Company retirement income plan and the supplemental executive retirement plan to executive officers at normal retirement date (age 65) based upon years of accredited service and final average annual compensation (including base and incentive compensation) for the three highest years during the last ten:

| Final Average Annual Earnings | Total Annual Retirement Benefits for Years of Accredited Service at Age 65 | | |
|----------------------------------|---|-----------|-------------|
| | 10 Years | 15 Years | 20-30 Years |
| \$ 200,000 | \$ 51,500 | \$ 77,500 | \$ 103,000 |
| 400,000 | 108,500 | 163,000 | 217,000 |
| 600,000 | 165,500 | 248,500 | 331,000 |
| 800,000 | 222,500 | 334,000 | 445,000 |
| 1,000,000 | 279,500 | 419,500 | 559,000 |
| 1,200,000 | 336,500 | 505,000 | 673,000 |
| 1,400,000 | 393,500 | 590,500 | 787,000 |

The years of accredited service for the named executive officers are Mr. Hill – 30 yrs.; Mr. Koziar – 30 yrs.; Ms. Lansaw – 20 yrs.; and Mr. Santo – 24 yrs. Years of service under the retirement income plan are capped at 30 years, however, the retirement and supplemental plans, taken together, can provide full benefits after 20 years of accredited service. Benefits are computed on a straight-life annuity basis, are subject to deduction for Social Security benefits and may be reduced by benefits payable under retirement plans of other employers. For each year an individual retires prior to age 62, benefits under the supplemental plan are reduced by 3% or 21% for early retirement at age 55. Mr. Forster ceased to accrue benefits under the retirement and supplemental plans effective as of December 31, 1996 upon his retirement as an employee of DPL Inc. and the Company. Participation in the supplemental plan was terminated for some executive officers effective December 31, 1999 and the present value of each individual's accrued benefit under the supplemental plan, determined by DPL Inc.'s actuary, transferred to a deferred payment account.

Item 12 - Security Ownership Of Certain Beneficial Owners And Management

The Company's stock is beneficially owned by DPL Inc.

The following table sets forth certain information with respect to the beneficial ownership of common shares and Series B voting preferred shares of DPL Inc. as of February 15, 2000 (assuming the KKR transaction had closed as of that date) by each person or group known by the Company to own more than 5% of the common shares or Series B voting preferred shares.

| <u>Name</u> | <u>Common Shares Beneficially Owned</u> | | <u>Series B Voting Preferred Shares Beneficially Owned</u> | |
|---|---|-------------------------|--|-------------------------|
| | <u>Number</u> | <u>Percent of Class</u> | <u>Number</u> | <u>Percent of Class</u> |
| Dayton Ventures LLC(1)... | 31,560,000(2) | 19.9% | 6,800,000(3) | 100% |
| c/o Kohlberg Kravis Roberts & Co. LP 9 W. 57 th Street New York, NY 10019 | | | | |

- (1) The managing member of Dayton Ventures LLC is KKR 1996 Fund L.P. The general partner KKR 1996 Fund L.P. is KKR Associates 1996 L.P., and its general partner is KKR 1996 GP LLC. George R. Roberts and Scott M. Stuart are members of KKR 1996 GP LLC. Messrs. Roberts and Stuart may be deemed to share beneficial ownership of the shares beneficially owned by Dayton Ventures LLC, however, Messrs. Roberts and Stuart disclaim beneficial ownership of such shares.
- (2) Includes 31,560,000 common shares issuable upon the exercise of warrants.
- (3) The 6,800,000 Series B voting preferred shares, which represent up to 4.9% of the outstanding voting power of DPL Inc.'s voting securities, are subject to mandatory redemption on a share for share basis to the extent common shares are issued upon exercise of the warrants held by Dayton Ventures LLC.

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each director of the Company as of February 15, 2000.

| <u>Name of Director</u> | <u>Amount and Nature of Beneficial Ownership (1)</u> |
|-------------------------|--|
| Thomas J. Danis | 48,161 shares |
| James F. Dicke, II | 100,528 shares |
| Peter H. Forster | 843,792 shares(2) |
| Ernie Green | 43,414 shares |
| Jane G. Haley | 60,914 shares |
| Allen M. Hill | 484,464 shares(3) |
| W August Hillenbrand | 28,179 shares |
| David R. Holmes | 17,815 shares |
| Burnell R. Roberts | 44,916 shares |
| George R. Roberts | -- shares(4) |
| Scott M. Stuart | -- shares(4) |

- (1) The number of shares shown represents in each instance less than 1% of the outstanding Common Shares of DPL Inc. There were 1,709,954 shares or 1.1% of the total number of Common Shares beneficially owned by all directors and executive officers of DPL Inc. and the Company as a group at February 15, 2000, excluding shares beneficially owned by an affiliate of KKR. See note (4) below. The number of shares shown includes Common Shares transferred to the Master Trust for non-employee directors pursuant to the Directors' Deferred Stock Compensation Plan.
- (2) The number of shares shown for Mr. Forster includes 43,792 Common Shares and 800,000 restricted share equivalents with no voting rights.
- (3) The number of shares shown for Mr. Hill includes 34,464 Common Shares and 450,000 restricted share equivalents with no voting rights.
- (4) Excludes 31,560,000 Common Shares subject to warrants and 6,800,000 Series B voting preferred shares to be beneficially owned by Dayton Ventures LLC, an affiliate of KKR. George R. Roberts and Scott M. Stuart disclaim beneficial ownership of all such shares. See "Security Ownership of Certain Beneficial Owners."

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each executive officer of the Company named in the Summary Compensation Table (other than executive officers who are directors of the Company whose security ownership is found above) as of February 15, 2000.

| <u>Name of Executive Officer</u> | <u>Amount and Nature of Beneficial Ownership (1) (2)</u> |
|----------------------------------|--|
| Stephen F. Koziar, Jr. | 15,021 shares |
| H. Ted Santo | 4,141 shares |
| Judy W. Lansaw | 3,912 shares |

- (1) The number of shares shown represents in each instance less than 1% of the outstanding Common Shares of DPL Inc.
- (2) Excludes Restricted Share Units.

Item 13 - Certain Relationships And Related Transactions

None.

Item 14 - Exhibits, Financial Statement Schedule And Reports On Form 8-K

(a) Documents filed as part of the Form 10-K

1. Financial Statements

See Item 8 - Index to Financial Statements on page II-9, which page is incorporated herein by reference.

2. Financial Statement Schedule

For the three years in the period ended December 31, 1999:

| | <u>Page No.</u> |
|---|-----------------|
| Schedule II - Valuation and qualifying accounts | IV-7 |

The information required to be submitted in Schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The following exhibits have been filed with the Securities and Exchange Commission and are incorporated herein by reference.

| | | Incorporation by Reference |
|------|---|--|
| 2 | Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and the Company dated January 6, 1986..... | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 3(a) | Regulations and By-Laws of the Company..... | Exhibit 2(e) to Registration Statement No. 2-68136 to Form S-16 |
| 3(b) | Copy of Amended Articles of Incorporation of the Company dated January 3, 1991..... | Exhibit 3(b) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 4(a) | Copy of Composite Indenture dated as of October 1, 1935, between the Company and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture..... | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) | Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) | Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) | Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) | Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between the Company and The Bank of New York, Trustee..... | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |

| | | |
|-------|---|---|
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 4(m) | Copy of the Forty-First Supplemental Indenture dated as of February 1, 1999, between the Company and The Bank of New York, Trustee..... | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1998 (File No. 1-2385) |
| 10(a) | Description of Management Incentive Compensation Program for Certain Executive Officers..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |

| | | |
|-------|--|---|
| 10(b) | Copy of Severance Pay Agreement with Certain Executive Officers..... | Exhibit 10(g) to Report on Form 10-K for the year ended December 31, 1987 (File No. 1-2385) |
| 10(c) | Copy of Supplemental Executive Retirement Plan amended August 6, 1991..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 10(d) | Amended description of Directors' Deferred Stock Compensation Plan effective January 1, 1993..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(e) | Amended description of Deferred Compensation Plan for Non-Employee Directors effective January 1, 1993..... | Exhibit 10(e) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(f) | Copy of Management Stock Incentive Plan amended January 1, 1993..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP..... | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1988 (File No. 1-2385) |

The following exhibits are filed herewith:

| | <u>Page No.</u> |
|-----|--|
| 21 | Copy of List of Subsidiaries of the Company..... |
| 27 | Financial Data Schedule |
| (b) | <u>Reports on Form 8-K</u> |
| | None. |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAYTON POWER AND LIGHT COMPANY

Registrant

March 30, 2000

/s/ Allen M. Hill

Allen M. Hill

President and Chief Executive Officer
(principal executive officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|--|--|----------------|
| <u>/s/ Thomas J. Danis</u> (T. J. Danis) | Director | March 30, 2000 |
| <u>(J. F. Dicke, II)</u> | Director | March , 2000 |
| <u>/s/ Peter H. Forster</u> (P. H. Forster) | Director and Chairman | March 30, 2000 |
| <u>(E. Green)</u> | Director | March , 2000 |
| <u>/s/ Jane G. Haley</u> (J. G. Haley) | Director | March 30, 2000 |
| <u>/s/ Allen M. Hill</u> (A. M. Hill) | Director, President and Chief Executive Officer (principal financial and accounting officer) | March 30, 2000 |

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**THE DAYTON POWER AND LIGHT COMPANY
VALUATION AND QUALIFYING ACCOUNTS**

For the years ended December 31, 1999, 1998 and 1997

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | |
|---|--------------------------------------|-------------------------|----------|-------------------|--------------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| -----thousands----- | | | | | |
| 1999: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,657 | \$ 5,171 | \$ - | \$ 5,496 | \$ 4,332 |
| 1998: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 4,657 | \$ 8,182 | \$ - | \$ 8,182 | \$ 4,657 |
| 1997: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 5,083 | \$ 5,515 | \$ - | \$ 5,941 | \$ 4,657 |

(1) Amounts written off, net of recoveries of accounts previously written off.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

**(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 1998**

OR

**() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-2385

THE DAYTON POWER AND LIGHT COMPANY

(Exact name of registrant as specified in its charter)

OHIO

*(State or other jurisdiction of
incorporation or organization)*

Courthouse Plaza Southwest, Dayton, Ohio

(Address of principal executive offices)

31-0258470

(I.R.S. Employer Identification No.)

45402

(Zip Code)

Registrant's telephone number, including area code: **937-224-6000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ✓ NO

Number of shares of registrant's common stock outstanding as of February 26, 1999, all of which were held by DPL Inc., was 41,172,173.

PART I**Item 1 - Business***

THE COMPANY

The Dayton Power and Light Company (the "Company") is a public utility incorporated under the laws of Ohio in 1911. The Company sells electricity and natural gas to residential, commercial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for the Company's 24 county service area is generated at eight power plants and is distributed to 490,000 retail customers. Natural gas is provided to 305,000 customers in 16 counties. Principal industries served include electrical machinery, automotive and other transportation equipment, non-electrical machinery, agriculture, paper, and rubber and plastic products. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area. In 1998, electric revenues increased 6% due to higher sales to other public utilities and commercial business customers. Gas utility revenues decreased 13% in 1998 due to the effects of milder weather. Gas purchased for resale by the utility decreased 15% primarily due to milder weather. During 1998, cooling degree days were 21% above the twenty year average and 52% above 1997. Heating degree days in 1998 were 18% below the thirty year average and 21% below 1997. Sales patterns will change in future years as weather and the economy fluctuate. The Company employed 2,482 persons as of December 31, 1998, of which 2,062 are full-time employees and 420 are part-time employees.

All of the outstanding shares of common stock of the Company are held by DPL Inc., which became the Company's corporate parent, effective April 21, 1986. Subsidiaries of the Company include MacGregor Park, Inc., an owner and developer of real estate and MVE, Inc., which provides support services to DPL Inc. and its subsidiaries.

The Company's principal executive and business office is located at Courthouse Plaza Southwest, Dayton, Ohio 45402 - telephone (937) 224-6000.

* Unless otherwise indicated, the information given in "Item 1 - Business" is current as of March 29, 1999. No representation is made that there have not been subsequent changes to such information.

COMPETITION

The Company competes with privately and municipally owned electric utilities and rural electric cooperatives, natural gas suppliers and other alternate fuel suppliers. The Company competes on the basis of price and service.

Like other utilities, the Company from time to time may have electric generating capacity available for sale to other utilities. The Company competes with other utilities to sell electricity provided by such capacity. The ability of the Company to sell this electricity will depend on how the Company's price, terms and conditions compare to those of other utilities. In addition, from time to time, the Company makes power purchases from neighboring utilities.

In an increasingly competitive energy environment, cogenerated power may be used by customers to meet their own power needs. Cogeneration is the dual use of a form of energy, typically steam, for an industrial process and for the generation of electricity. The Public Utilities Regulatory Policies Act of 1978 ("PURPA") provides regulations that govern the purchase of excess electric energy from cogeneration and small power production facilities that have obtained qualifying status under PURPA.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

The Company provides transmission and wholesale electric service to twelve municipal customers which distribute electricity within their corporate limits. In 1994, eleven of these municipal customers signed new twenty-year Power Service Agreements ("PSAs") that were approved by the Federal Energy Regulatory Commission ("FERC"), in June 1995. The twelfth municipal customer signed a ten-year agreement, approved by FERC in February 1995, that allows the Company to supply 97% of its power requirements. In addition to these municipal customers, the Company maintains an interconnection agreement with one municipality that has the capability to generate a portion of its energy requirements. Sales to municipalities represented 1.2% of total electricity sales in 1998.

The PSAs provide, among other things, for the sale of firm power by the Company to the municipals on specified terms. However, the parties disagree in their interpretation of the specified terms. After failing to resolve this dispute through non-binding mediation, the Company filed suit against the eleven municipals on December 28, 1998 seeking, among other things, a declaration that the municipals are not entitled to the Company's firm power on the terms that they assert. This dispute is not expected to result in a material impact on the Company's financial position.

In October 1994, the Public Utilities Commission of Ohio ("PUCO") initiated roundtable discussions on the introduction of competition in the electric industry. The "Electric Competition Series" is a result of the Ohio Energy Strategy issued in April 1994. On February 15, 1996, the PUCO issued guidelines for interruptible service, including services that accommodate the attainment and delivery of replacement electricity during periods when the utility faces constraints on its own resources. On April 11, 1996, the PUCO issued an Entry on Rehearing ordering utilities to file interruptible electric service tariffs. The Company's interruptible electric service tariffs were approved on May 1, 1997, and tariffs conforming to this order were subsequently filed with the PUCO on May 15, 1997.

On December 24, 1996, the PUCO issued a Finding and Order adopting conjunctive electric service ("CES") guidelines and directing utilities to file tariffs regarding CES service. CES programs enable customers to aggregate for cost of service, rate design, rate eligibility and billing purposes. On December 30, 1998, the PUCO approved the Company's CES tariff, with an effective date of January 4, 1999. Implementation of this program is essentially revenue neutral.

On March 26, 1998, a twelve member Joint Committee of the Ohio Senate and House of Representatives, created to explore and possibly draft retail wheeling legislation, introduced an electric deregulation Bill which expired at year end. On September 16, 1998, the Company and the three other major investor owned utilities in Ohio presented a comprehensive electric utility restructuring Bill to a working group of the Committee. In March 1999, a group of legislators released to the public a draft outline for restructuring. The Company continues to participate in the Joint Committee's working group to address issues pertaining to restructuring the electric industry, including taxes. Due to the prospects for legislation that would restructure the electric utility industry, the Company will continue to evaluate its portfolio of assets to prepare for opportunities in the deregulated environment. However, the ultimate outcome for electric restructuring legislation in Ohio is uncertain at this time.

On April 24, 1996, FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. Both in 1997 and 1998, the Company reached an agreement in principle with staff and intervenors in pending tariff cases. The Company's revenues from customers will not be materially impacted by the final resolution of these cases.

On September 30, 1996, FERC conditionally accepted the Company's market-based sales tariff which will allow the Company to sell wholesale generation supply at prices that reflect current market prices. At the same time, FERC approved the application and authorization of DPL Energy Inc., a wholly-owned subsidiary of DPL Inc., to sell and broker wholesale electric power and also charge market-based prices for such power.

On July 22, 1998, the PUCO approved the implementation of Minimum Electric Service Standards for all of Ohio's investor-owned electric utilities. This Order details minimum standards of performance for a variety of service related functions effective July 1, 1999. The Company expects to substantially comply with these standards.

General deregulation of the natural gas industry has continued to influence market competition as the driving force behind natural gas procurement. The evolution of an efficient natural gas spot market in combination with open-access interstate transportation pipelines has provided the Company, as well as its end-use customers, with an array of procurement options. Customers with alternate fuel capability can continue to choose between natural gas and their alternate fuel based upon overall performance and economics. Therefore, demand for natural gas purchased from the Company or purchased elsewhere and transported to the end-use customer by the Company could fluctuate based on the economics of each in comparison with changes in alternate fuel prices. For the Company, price competition and reliability among both natural gas suppliers and interstate pipeline sources are major factors affecting procurement decisions.

CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY

Construction Program

Construction additions were \$111 million, \$109 million, and \$124 million in 1998, 1997 and 1996 respectively. The capital program for 1999 consists of construction costs of approximately \$80 million.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings which may change the level of future construction additions. The potential impact of these events on the Company's operations cannot be estimated at this time.

Financing Program

At year-end 1998, cash and temporary cash investments were \$2 million, and debt and equity financial assets were \$232 million. Cash and financial assets are held with a view towards investing in future opportunities in the industry. Proceeds from temporary cash investments, together with internally generated cash and future outside financings, will provide for the funding of the construction program, sinking funds and general corporate requirements.

On March 19, 1999, the Company published a Notice of Intention to Redeem on April 19, 1999 a series of First Mortgage Bonds in the principal amount of \$225 million with an interest rate of 8.40%. In early April, DPL Inc. expects to close on a private placement issuance of \$500 million of Senior Notes Due 2004, with an interest rate of 6.32%. The proceeds will be used to redeem the 8.40% Series First Mortgage Bonds, and for general corporate purposes.

In December 1997, the Company redeemed a series of first mortgage bonds in the principal amount of \$40 million with an interest rate of 8.0%. The bonds had been scheduled to mature in 2003. Another series of first mortgage bonds in the principal amount of \$40 million matured in 1997. In December 1996, the Company redeemed a series of first mortgage bonds in the principal amount of \$25 million with an interest rate of 6.75%. The bonds had been scheduled to mature in 1998. Sinking fund payments for the five years ended 2003 are \$2 million.

DPL Inc. and its subsidiaries have \$300 million available through revolving credit agreements with a consortium of banks. One agreement, for \$200 million, expires in 2002 and the other, for \$100 million, expires in 2000. At year-end 1998, DPL Inc. had no outstanding borrowings under these credit agreements. The Company also has \$97 million available in short-term lines of credit. The Company had \$81 million and \$10 million outstanding from these lines of credit at year-end 1998 and 1997 respectively, and \$99 million and \$70 million in commercial paper outstanding at year-end 1998 and 1997, respectively.

Under the Company's First and Refunding Mortgage, First Mortgage Bonds may be issued on the basis of (i) 60% of unfunded property additions, subject to net earnings, as defined, being at least two times interest on all First Mortgage Bonds outstanding and to be outstanding, or (ii) 100% of retired First Mortgage Bonds. The Company anticipates that it will be able to issue sufficient First Mortgage Bonds to satisfy its long-term debt requirements in connection with the financing of its construction and refunding programs discussed above.

The maximum amount of First Mortgage Bonds which may be issued in the future will fluctuate depending upon interest rates, the amounts of bondable property additions, earnings and retired First Mortgage Bonds. There are no coverage tests for the issuance of preferred stock under the Company's Amended Articles of Incorporation.

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ELECTRIC OPERATIONS AND FUEL SUPPLY

The Company's present winter generating capability is 3,371,000 KW. Of this capability, 2,843,000 KW (approximately 84%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 87% (2,472,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Under the agreements among the companies, each company owns a specified undivided share of each facility, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by the Company. The Company's all-time net peak load was 3,007,000 KW, occurring in July 1998. The present summer generating capability is 3,264,000 KW.

GENERATING FACILITIES

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-----------------|-------|
| | | | | Company Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 371 | 371 |
| Killen | C | Company | Wrightsville, OH | 402 | 600 |
| Stuart | C | Company | Aberdeen, OH | 820 | 2,340 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miami Fort-Units 7 &8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 33 | 33 |
| Yankee Street | W | Company | Centerville, OH | 138 | 138 |
| Monument | W | Company | Dayton, OH | 12 | 12 |
| Tait | W | Company | Dayton, OH | 10 | 10 |
| Sidney | W | Company | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | Company | Moraine, OH | 100 | 100 |
| Tait Gas Turbine 2 | W | Company | Moraine, OH | 102 | 102 |
| Tait Gas Turbine 3 | W | Company | Moraine, OH | 102 | 102 |
| Killen | C | Company | Wrightsville, OH | 16 | 24 |
| Stuart | C | Company | Aberdeen, OH | 3 | 10 |

*W = Wholly Owned

C = Commonly Owned

In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. The Company has several interconnections with other companies for the purchase, sale and interchange of electricity.

The Company derived over 99% of its electric output from coal-fired units in 1998. The remainder was derived from units burning oil or natural gas which were used to meet peak demands.

The Company estimates that approximately 65-85% of its coal requirements for the period 1999-2003 will be obtained through long-term contracts, with the balance to be obtained by spot market purchases. The Company has been informed by CG&E and CSP through the procurement plans for the commonly owned units operated by them that sufficient coal supplies will be available during the same planning horizon.

The prices to be paid by the Company under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kWh generated of all fuel burned for electric generation (coal, gas and oil) for the year was 1.30¢ in 1998, 1.31¢ in 1997 and 1.29¢ in 1996. Through the operation of a fuel cost adjustment clause applicable to electric sales, the increases and decreases in fuel costs are reflected in customer rates on a timely basis. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

The Company has long-term firm pipeline transportation agreements with ANR Gas Pipeline Company ("ANR"), Texas Gas Transmission Corporation ("Texas Gas"), Panhandle Eastern Pipe Line Company ("Panhandle"), Columbia Gas Transmission Corporation ("Columbia") and Columbia Gulf Transmission Corporation for varying terms, up to late 2004. Along with firm transportation services, the Company has approximately 14 billion cubic feet of firm storage service with various pipelines.

In addition, the Company is interconnected with CNG Transmission Corporation. Interconnections with interstate pipelines provide the Company the opportunity to purchase competitively-priced natural gas supplies and pipeline services. The Company purchases its natural gas supplies using a portfolio approach that minimizes price risks and ensures sufficient firm supplies at peak demand times. The portfolio consists of long-term, short-term and spot supply agreements. In 1998, firm agreements provided approximately 50% of total supply, with the remaining supplies purchased on a spot/short-term basis.

In 1998, the Company purchased natural gas at an average price of \$3.22 per MCF, compared to \$3.45 per MCF in 1997 and 1996. Through the operation of a natural gas cost adjustment clause applicable to gas sales, increases and decreases in the Company's natural gas costs are reflected in customer rates on a timely basis. SEE RATE REGULATION AND GOVERNMENT LEGISLATION.

The PUCO supports open access, nondiscriminatory transportation of natural gas by the state's local distribution companies for end-use customers. The PUCO has guidelines to provide a standardized structure for end-use transportation programs which requires a tariff providing the prices, terms and conditions for such service. The Company has an approved tariff and provides transportation service to approximately 300 end-use customers, delivering a total quantity of nearly 18,000,000 MCF per year.

RATE REGULATION AND GOVERNMENT LEGISLATION

The Company's sales of electricity and natural gas to retail customers are subject to rate regulation by the PUCO and various municipalities. The Company's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

The Company's electric and natural gas rate schedules contain certain recovery and adjustment clauses subject to periodic audits by, and proceedings before, the PUCO. Electric fuel and gas costs are expensed as recovered through rates.

On June 18, 1996, Ohio Governor Voinovich signed into law House Bill 476 which allows for alternate natural gas rate plans and exemption from PUCO jurisdiction for some gas services, and establishes a code of conduct for natural gas distribution companies. Final rules were issued on March 12, 1997.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL Inc. The legislation extends the PUCO's supervisory powers to a holding company system's general condition and capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service. Additionally, the legislation (i) requires PUCO approval of certain transactions and transfers of assets between public utilities and entities within the same holding company system, and (ii) prohibits

investments by a holding company in subsidiaries which are not public utilities in an amount in excess of 15% of the aggregate capitalization of the holding company on a consolidated basis at the time such investments are made.

Regulatory assets recorded during the phase-in of electric rates are being amortized and recovered in current revenues. In addition, deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$2.8 million per year over the projected life of the asset.

A 1992 PUCO-approved settlement agreement for the phase-in plan and demand-side management ("DSM") programs, as updated in 1995, provides for accelerated recovery of DSM costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose. In 1998, amortization of regulatory assets included an additional \$10.4 million of accelerated cost recovery.

Regulatory deferrals on the balance sheet were:

| | Dec. 31 1998 | Dec. 31 1997 |
|---|--------------------------|-----------------|
| | <hr/> --millions-- <hr/> | |
| Phase-in | \$ 12.9 | \$ 30.6 |
| DSM | 19.6 | 33.6 |
| Deferred interest - Zimmer | 49.7 | 52.5 |
| Income taxes recoverable through future revenues | <u>195.5</u> | <u>208.2</u> |
| Total | <u>\$277.7</u> | <u>\$324.9</u> |

The Company has in place a percentage of income payment plan ("PIPP") for eligible low-income households as required by the PUCO. This plan prohibits disconnections for nonpayment of customer bills if eligible low-income households pay a specified percentage of their household income toward their utility bill. The PUCO has approved a surcharge by way of a temporary base rate tariff rider which allows companies to recover arrearages accumulated under PIPP.

The Company initiated a competitive bidding process in January 1993 for the construction of electric peaking capacity and energy. On March 7, 1994, the OPSB approved the Company's applications for up to three combustion turbines and two natural gas supply lines for the proposed site. The first combustion turbine began operation on June 1, 1995, a second unit began operation on December 23, 1996 and a third unit began operation on December 15, 1998. All three units are available for full operation.

In 1989 the PUCO approved rules for the implementation of a comprehensive Integrated Resource Planning ("IRP") program for all investor-owned electric utilities in Ohio. Under this program, each utility is required to file an IRP as part of its Long Term Forecast Report ("LTFR"). The IRP requires each utility to evaluate available demand-side resource options in addition to supply-side options to determine the most cost-effective means for satisfying customer requirements. The rules currently allow a utility to apply for deferred recovery of DSM program expenditures and lost revenues between LTFR proceedings. On June 1, 1998 and June 15, 1998, respectively, the Company filed its natural gas and electric LTFR with the PUCO. An IRP filed as part of the electric LTFR included plans for the construction of a series of combustion turbine generating units.

On January 25, 1996, Ohio Governor Voinovich reappointed Chairman Craig A. Glazer to the PUCO for a five-year term which commenced on April 11, 1996 and will extend until April 10, 2001. Robert Taft was elected Governor of Ohio in 1998. On February 2, 1999, Governor Taft appointed Alan Schriber to a five-year term with the PUCO that expires April 2004, and designated him PUCO Chairman. Alan Schriber will replace Commissioner Jolynn Butler and is expected to begin serving April 11, 1999.

On February 7, 1997, Governor Voinovich appointed Judith A. Jones, a Toledo City Councilwoman, to the PUCO replacing Commissioner Richard Fanelly. Her five-year term commenced April 11, 1997 and will extend until April 10, 2002.

On October 15, 1997 PUCO Commissioner David Johnson announced his resignation effective November 30, 1997. Commissioner Johnson was serving a term that would have expired in April 1998. On January 27, 1998, Governor Voinovich appointed Donald L. Mason, a senior management official with the Ohio Department of Natural Resources, to replace Commissioner Johnson. His five-year term will expire on April 10, 2003.

The operations of the Company, including the commonly owned facilities operated by the Company, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The Company expended \$5 million for environmental control facilities during 1998. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY.

Air Quality

The Clean Air Act Amendments of 1990 (the "Act") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The Act restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements will become effective on January 1, 2000. Compliance by the Company has not caused any material changes in the Company's costs or operations.

The Company's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993 and, on November 9, 1995, the PUCO approved the continued appropriateness of the ECP. Phase I requirements were met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the Act were approximately \$5.5 million. Phase II requirements are being met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units. Overall compliance is projected to have a minimal 1% to 2% approximate price impact. Costs to comply with the Act are eligible for recovery in fuel hearings and other regulatory proceedings.

In September 1998, the United States Environmental Protection Agency ("U.S. EPA") issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the Clean Air Act. The modified SIPs are likely to result in further NOx reduction requirements placed on coal-fired generating units by 2003. The Company's total capital expenditures in order to meet these NOx requirements are estimated to be approximately \$175 million over the next five years. The Company is part of a utility trade group that has filed a lawsuit against the U.S. EPA challenging this rule.

Land Use

The Company and numerous other parties have been notified by the U.S. EPA or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRPs") for clean-up at four superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio; the United Scrap Lead Site in Miami County, Ohio; the Powell Road Landfill in Huber Heights, Montgomery County, Ohio; and the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio.

The Company received notification from the U.S. EPA in July 1987 for the Cardington Road site. The Company has not joined the PRP group formed at that site because of the absence of any known evidence that the Company contributed hazardous substances to this site. The Record of Decision issued by the U.S. EPA identifies the chosen clean-up alternative at a cost estimate of \$8.1 million. This final resolution will not have a material effect on the Company's financial position, earnings or cash flow.

The Company received notification from the U.S. EPA in September 1987 for the United Scrap Lead Site. The Company is one of over 200 parties to this site, and its estimated contribution to the site is less than .01%. In October 1998, the U.S. District Court approved a settlement involving the Company and issued an Order barring any claims against the settling parties. Through the settlement, the Company resolved its potential liability with no material impact.

The Company and numerous other parties received notification from the U.S. EPA on May 21, 1993 that it considers them PRPs for clean-up of hazardous substances at the Powell Road Landfill Site in Huber Heights, Ohio. The Company joined the PRP group for the site. In late January 1998, the U.S. EPA approved a settlement that included the Company. Through the settlement, the Company resolved its potential liability with no resulting material impact.

The Company and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRPs for clean-up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. The Company has not joined the PRP group formed for the site because the available information does not demonstrate that the Company contributed wastes to the site. The final resolution will not have a material effect on the Company's financial position, earnings or cash flow.

THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
ELECTRIC OPERATIONS

000412

| | Years Ended December 31 | | |
|--|---------------------------|---------------------------|---------------------------|
| | 1998 | 1997 | 1996 |
| Electric Output (millions of kWh) | | | |
| General - | | | |
| Coal-fired units | 16,853 | 16,246 | 16,142 |
| Other units | 101 | 52 | 21 |
| Power purchases | 1,475 | 1,239 | 1,098 |
| Exchanged and transmitted power | - | - | (1) |
| Company use and line losses | (947) | (928) | (946) |
| Total | <u>17,482</u> | <u>16,609</u> | <u>16,314</u> |
| Electric Sales (millions of kWh) | | | |
| Residential | 4,790 | 4,788 | 4,924 |
| Commercial | 3,518 | 3,408 | 3,407 |
| Industrial | 4,655 | 4,749 | 4,540 |
| Public authorities and railroads | 1,360 | 1,330 | 1,392 |
| Private utilities and wholesale | 3,158 | 2,334 | 2,051 |
| Total | <u>17,481</u> | <u>16,609</u> | <u>16,314</u> |
| Electric Customers at End of Period | | | |
| Residential | 437,674 | 433,563 | 428,973 |
| Commercial | 44,716 | 43,923 | 43,381 |
| Industrial | 1,909 | 1,881 | 1,858 |
| Public authorities and railroads | 5,838 | 5,736 | 5,651 |
| Other | 43 | 42 | 29 |
| Total | <u>490,180</u> | <u>485,145</u> | <u>479,892</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$ 419,948 | \$ 409,857 | \$ 422,876 |
| Commercial | 242,526 | 234,206 | 236,598 |
| Industrial | 228,685 | 225,775 | 222,941 |
| Public authorities and railroads | 76,686 | 74,018 | 78,140 |
| Private utilities and wholesale | 86,485 | 53,598 | 43,730 |
| Other | 18,651 | 12,523 | 12,115 |
| Total | <u>\$1,072,981</u> | <u>\$1,009,977</u> | <u>\$1,016,400</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - kWh | 10,999 | 11,120 | 11,537 |
| Revenue | \$ 964.40 | \$ 951.90 | \$ 990.89 |
| Rate per kWh (month of December) | 8.43¢ | 8.10¢ | 7.91¢ |

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THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
GAS OPERATIONS

| | Years Ended December 31 | | |
|--|--------------------------------|------------------|------------------|
| | 1998 | 1997 | 1996 |
| Gas Output (thousands of MCF) | | | |
| Direct market purchases | 36,497 | 43,808 | 46,696 |
| Liquefied petroleum gas | 3 | 66 | 90 |
| Company use and unaccounted for | (912) | (1,016) | (676) |
| Transportation gas received | <u>18,125</u> | <u>19,182</u> | <u>17,587</u> |
| Total | <u>53,713</u> | <u>62,040</u> | <u>63,697</u> |
| Gas Sales (thousands of MCF) | | | |
| Residential | 24,877 | 29,277 | 31,087 |
| Commercial | 7,433 | 9,567 | 9,424 |
| Industrial | 1,916 | 2,520 | 3,404 |
| Public authorities | 1,699 | 2,153 | 2,829 |
| Transportation gas delivered | <u>17,788</u> | <u>18,523</u> | <u>16,953</u> |
| Total | <u>53,713</u> | <u>62,040</u> | <u>63,697</u> |
| Gas Customers at End of Period | | | |
| Residential | 279,784 | 276,189 | 272,616 |
| Commercial | 22,491 | 22,298 | 22,085 |
| Industrial | 1,441 | 1,396 | 1,331 |
| Public authorities | <u>1,509</u> | <u>1,475</u> | <u>1,463</u> |
| Total | <u>305,225</u> | <u>301,358</u> | <u>297,495</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$138,802 | \$160,279 | \$156,709 |
| Commercial | 38,243 | 48,302 | 44,092 |
| Industrial | 9,291 | 11,867 | 14,110 |
| Public authorities | 8,230 | 10,311 | 12,013 |
| Other | <u>16,640</u> | <u>12,948</u> | <u>11,660</u> |
| Total | <u>\$211,206</u> | <u>\$243,707</u> | <u>\$238,584</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - MCF | 89.6 | 107.0 | 114.8 |
| Revenue | \$ 499.94 | \$ 585.63 | \$ 578.68 |
| Rate per MCF (month of December) | \$ 5.31 | \$ 5.20 | \$ 5.13 |

Item 2 - Properties

Electric

Information relating to the Company's electric properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY (pages I-4 and I-5), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-6 and I-7) and Item 8 - Notes 2 and 5 of Notes to Consolidated Financial Statements on pages II-16 and II-20, respectively, which pages are incorporated herein by reference.

Gas

Information relating to the Company's gas properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), and GAS OPERATIONS AND GAS SUPPLY (pages I-7 and I-8), which pages are incorporated herein by reference.

Other

The Company owns a number of area service buildings located in various operating centers.

Substantially all property and plant of the Company is subject to the lien of the Mortgage securing the Company's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving the Company is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), COMPETITION (Pages I-2 through I-4), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-6 and I-7), GAS OPERATIONS AND GAS SUPPLY (pages I-7 and I-8), RATE REGULATION AND GOVERNMENT LEGISLATION (pages I-8 through I-10), ENVIRONMENTAL CONSIDERATIONS (pages I-11 and I-12) and Item 8 - Note 2 of Notes to Consolidated Financial Statements on page II-16, which pages are incorporated herein by reference.

Item 4 - Submission Of Matters To A Vote Of Security Holders

None.

PART II**Item 5 - Market For Registrant's Common Equity And Related Stockholder Matters**

The Company's common stock is held solely by DPL Inc. and as a result is not listed for trading on any stock exchange.

The information required by this item of Form 10-K is set forth in Item 8 - Selected Quarterly Information on page II-24 and the Financial and Statistical Summary on page II-25, which pages are incorporated herein by reference.

The Company's Mortgage restricts the payment of dividends on the Company's Common Stock under certain conditions. In addition, so long as any Preferred Stock is outstanding, the Company's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year-end, all earnings reinvested in the business of the Company were available for Common Stock dividends.

Item 6 - Selected Financial Data

The information required by this item of Form 10-K is set forth in Item 8 - Financial and Statistical Summary on page II-25, which page is incorporated herein by reference.

Item 7 - **Management's Discussion And Analysis Of Financial Condition
And Results Of Operations**

The Dayton Power and Light Company

| Performance Highlights | 1998 | 1997 | 1996 |
|---|------------|---------|---------|
| CAPITAL INVESTMENT PERFORMANCE: | | | |
| Capital Structure (millions) | | | |
| Common shareholder's equity | \$ 1,273.0 | 1,280.8 | 1,217.5 |
| Preferred stock | \$ 22.9 | 22.9 | 22.9 |
| Long-term debt | \$ 885.6 | 886.0 | 926.3 |
| Total | \$ 2,181.5 | 2,189.7 | 2,166.7 |
| OPERATING PERFORMANCE: | | | |
| Electric-- | | | |
| Sales (millions of kWh) | | | |
| Residential | 4,790 | 4,788 | 4,924 |
| Commercial | 3,518 | 3,408 | 3,407 |
| Industrial | 4,655 | 4,749 | 4,540 |
| Other | 4,518 | 3,664 | 3,443 |
| Total | 17,481 | 16,609 | 16,314 |
| Revenues (millions) | | | |
| Residential | \$ 419.9 | 409.9 | 422.9 |
| Commercial | \$ 242.5 | 234.2 | 236.6 |
| Industrial | \$ 228.7 | 225.8 | 222.9 |
| Other | \$ 181.9 | 140.1 | 134.0 |
| Total | \$ 1,073.0 | 1,010.0 | 1,016.4 |
| Average price per kWh—retail and wholesale customers (calendar year) | \$ 6.03 | 6.01 | 6.16 |
| Gas-- | | | |
| Sales (thousands of MCF) | | | |
| Residential | 24,877 | 29,277 | 31,087 |
| Commercial | 7,433 | 9,567 | 9,424 |
| Industrial | 1,916 | 2,520 | 3,404 |
| Other | 19,487 | 20,676 | 19,782 |
| Total | 53,713 | 62,040 | 63,697 |
| Revenues (millions) | | | |
| Residential | \$ 138.8 | 160.3 | 156.7 |
| Commercial | \$ 38.2 | 48.3 | 44.1 |
| Industrial | \$ 9.3 | 11.9 | 14.1 |
| Other | \$ 24.9 | 23.2 | 23.7 |
| Total | \$ 211.2 | 243.7 | 238.6 |
| Average price per MCF - total (calendar year) | \$ 3.93 | 3.93 | 3.75 |

Results of Operations

The 1998 earnings on common stock were \$169 million compared to \$171 million in 1997 and \$164 million in 1996.

In 1998, electric revenues increased 6% due to higher sales to other public utilities and commercial business customers. Fuel and purchased power expense increased 13% primarily related to higher sales. In 1997, a 3% decline in electric residential sales resulted in slightly lower revenue, which offset a 3% increase in sales to business customers and higher sales to other public utilities.

Utility gas revenues and gas purchased for resale in 1998 decreased 13% and 15%, respectively, due to the effects of milder weather. Gas utility revenues increased 2% in 1997 due to increased sales to business customers.

Operation and maintenance expense decreased 3% in 1998 due to lower insurance, claims and production maintenance costs. These decreases were partially offset by increased compensation and benefit expense and higher electric distribution maintenance. Operation and maintenance expense decreased 5% in 1997 due to cost containment efforts and lower actuarially-determined benefit expense.

Regulatory assets recorded during the phase-in of electric rates are being amortized and recovered in current revenues. Once the phase-in balance is fully recovered, the 1992 stipulation provides that revenues will be used for accelerated recovery of production plant costs. In addition, deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$3 million per year over the projected life of the asset.

A 1992 PUCO-approved settlement agreement and a subsequent stipulation in 1995 allowed accelerated recovery of demand-side management costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13%. If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose. In 1998, amortization of regulatory assets included an additional \$10 million of accelerated cost recovery.

Depreciation and amortization expense increased 3% in 1998 and 1997 as a result of increased depreciable assets.

General taxes increased 2% in 1998 and 3% in 1997 as a result of higher property taxes from additional property.

Interest expense increased 3% in 1998 due to higher short-term debt. Interest expense declined 3% in 1997 primarily due to the redemption of first mortgage bonds.

Credit Ratings

The Company's senior debt credit ratings are as follows:

| | |
|---------------------------|-----|
| Duff & Phelps | AA |
| Standard & Poor's | AA- |
| Moody's Investors Service | Aa3 |

Each rating has been affirmed by its respective rating agency. Moody's Investors Service upgraded the Company's senior debt credit rating three times from 1992-1995. Duff & Phelps and Standard & Poor's both upgraded the Company's senior debt credit ratings in 1994. The credit ratings are the highest the Company has achieved since 1974, and they are all considered investment grade.

Construction Program and Financing

Construction additions were \$111 million, \$109 million, and \$124 million in 1998, 1997 and 1996, respectively. The capital program for 1999 consists of construction costs of approximately \$80 million.

During 1998, total cash provided by operating activities was \$294 million. At year-end, cash and temporary cash investments were \$2 million, and debt and equity financial assets were \$232 million. Cash and financial assets are held with a view towards investing in future opportunities in the industry.

In December 1997, the Company redeemed a series of first mortgage bonds in the principal amount of \$40 million with an interest rate of 8.0%. The bonds had been scheduled to mature in 2003. Another series of first mortgage bonds in the principal amount of \$40 million matured in 1997. In December 1996, the Company redeemed a series of first mortgage bonds in the principal amount of \$25 million with an interest rate of 6.75%. The bonds had been scheduled to mature in 1998. Sinking fund payments for the five years ending 2003 are \$2 million.

Issuance of additional amounts of first mortgage bonds by the Company is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans. The Company anticipates that it has sufficient capacity to issue first mortgage bonds to satisfy its requirements in connection with its capital program.

In addition, DPL Inc. has revolving credit agreements which allow total borrowings by DPL Inc. and its subsidiaries of \$300 million. At year-end 1998, DPL Inc. had no outstanding borrowings under these credit agreements.

The Company also has \$97 million available in short-term lines of credit. The Company had \$81 million and \$10 million outstanding from these lines of credit for year-end 1998 and 1997 respectively, and \$99 million and \$70 million in commercial paper outstanding for year-end 1998 and 1997, respectively.

Issues and Financial Risks

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond the Company's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules and adverse economic conditions.

Computer applications of many companies may not properly recognize dates beginning with the year 2000. This "Y2K" issue, if not corrected, could cause disruptions in information technology systems and operating control systems.

The Company has implemented a plan to identify and correct Y2K issues in its computer applications. This plan includes: (1) evaluation of applications and systems, (2) assessment of Y2K errors, (3) correction of errors, and (4) testing of applications and systems. At year-end, the evaluation and assessment phases are substantially complete. The correction and testing phases continue on schedule and are expected to be completed in the third quarter of 1999. The estimated cost of this corrective action is \$20 million, and includes modification and replacement of hardware and software.

The electric industry relies on computer applications to monitor and control interdependent power systems. These systems are also susceptible to Y2K problems. The utility industry has organized work groups to identify and solve potential problems. The Company is evaluating the possibility of Y2K disruptions in the industry and is adopting proper contingency plans.

The U.S. EPA and Ohio EPA have notified numerous parties, including the Company, that they are considered "Potentially Responsible Parties" for clean up of two hazardous waste sites in Ohio. The U.S. EPA has estimated total costs of under \$10 million for its preferred clean-up plans at one of these sites. The Ohio EPA has not provided an estimated cost for the second site. During 1998, the Company settled its

potential liability for two other sites at a minimal cost. The final resolution of the remaining investigations will not have a material effect on the Company's financial position, earnings or cash flow.

In September 1998, the U.S. EPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the Clean Air Act. The modified SIPs are likely to result in further NOx reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, the Company's total capital expenditures are estimated to be approximately \$175 million over the next five years.

As a public utility, the Company is subject to processes which determine the rates it charges for energy services. Regulators determine which costs are eligible for recovery in the rate setting process and when the recovery will occur. They also establish the rate of return on utility investments which are valued under Ohio law based on historical costs.

The utility industry is subject to inflationary pressures similar to those experienced by other capital-intensive industries. Because rates for regulated services under existing rules are based on historical costs, cash flows may not cover the total future costs of providing services.

Restructuring of the electric utility industry continued to evolve in 1998. Legislative proposals have been introduced in Congress and in Ohio concerning electric wholesale and retail wheeling which are designed to increase competition. These factors increase the risk that the Company's production plant and/or regulatory assets may not be fully recovered in rates and that future cash flows and operating results may be adversely impacted.

The Company is part of a legislative work group addressing issues pertaining to restructuring the electric industry, including taxes. In September 1998, the major Ohio electric utilities, including the Company, offered a comprehensive restructuring proposal.

In 1996 and 1997, FERC issued orders creating a more competitive wholesale electric power market. These orders required all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. In 1997, the Company reached an agreement in principle with staff and intervenors in its first pending tariff case and filed a subsequent case based on an updated test year. In December 1998, the Company reached an agreement in principle with staff and intervenors in the second pending tariff case.

Income Statement Highlights

| \$ in Millions | 1998 | 1997 | 1996 |
|--|------------|------------|------------|
| Electric utility: | | | |
| Revenues | \$1,073 | \$1,010 | \$1,016 |
| Fuel and purchased power | <u>257</u> | <u>227</u> | <u>234</u> |
| Net revenues | 816 | 783 | 782 |
| Gas utility: | | | |
| Revenues | 211 | 244 | 239 |
| Gas purchased for resale | <u>128</u> | <u>151</u> | <u>145</u> |
| Net revenues | 83 | 93 | 94 |
| Other income | 16 | 14 | 9 |
| Operation and maintenance expense | 249 | 256 | 270 |
| Amortization of regulatory assets, net | 33 | 21 | 20 |
| Income taxes | 113 | 100 | 98 |
| Earnings on common stock | 169 | 171 | 164 |

Item 7A - Quantitative and Qualitative Disclosures About Market Risk

The carrying value of the Company's debt, which consists of first mortgage bonds, guaranteed air quality development obligations, commercial paper and lines of credit, was \$1,067.3 million at December 31, 1998. The fair value of this debt, based mainly on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities, was \$1,152.5 million at December 31, 1998.

The carrying value and fair value of short-term debt was \$181.2 million at December 31, 1998. The interest expense risk related to this debt was estimated to be approximately an increase/decrease of \$0.7 million if the weighted average cost for each quarter increased/decreased 10%.

The fair value of available for sale securities was \$298.9 at December 31, 1998. The equity price risk related to these securities was estimated as the potential increase/decrease in fair value of \$29.9 million at December 31, 1998 that resulted from a hypothetical 10% increase/decrease in the quoted market prices.

Item 8 - Financial Statements And Supplementary Data

| <u>Index to Consolidated Financial Statements</u> | <u>Page No.</u> |
|--|---------------------|
| Consolidated Statement of Results of Operations for the three years in the period ended December 31, 1998 | II-9 |
| Consolidated Statement of Cash Flows for the three years in the period ended December 31, 1998 | II-10 |
| Consolidated Balance Sheet as of December 31, 1998 and 1997 | II-11 - II-12 |
| Consolidated Statement of Shareholder's Equity for the three years in the period ended December 31, 1998 | II-13 |
| Notes to Consolidated Financial Statements | II-14 – II-23 |
| Reports of Independent Accountants | II-26 - II-27 |
| <u>Index to Supplemental Information</u> | <u>Page No.</u> |
| Selected Quarterly Information | II-24 |
| Financial and Statistical Summary | II-25 |

The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|-----------------|-----------------|
| | 1998 | 1997 | 1996 |
| INCOME | | | |
| Utility service revenues-- | | | |
| Electric | \$1,073.0 | \$1,010.0 | \$1,016.4 |
| Gas | <u>211.2</u> | <u>244.4</u> | <u>242.0</u> |
| Total utility service revenues..... | 1,284.2 | 1,254.4 | 1,258.4 |
| Other income | <u>16.3</u> | <u>13.9</u> | <u>9.3</u> |
| Total income | <u>1,300.5</u> | <u>1,268.3</u> | <u>1,267.7</u> |
| EXPENSES | | | |
| Fuel and purchased power..... | 257.4 | 227.9 | 234.9 |
| Gas purchased for resale | 127.9 | 150.7 | 144.8 |
| Operation and maintenance..... | 249.4 | 255.9 | 269.5 |
| Depreciation and amortization (Note 1)..... | 125.5 | 121.8 | 117.9 |
| Amortization of regulatory assets, net (Note 2)..... | 33.0 | 20.9 | 19.7 |
| General taxes | 136.2 | 133.5 | 129.3 |
| Interest expense..... | <u>88.6</u> | <u>86.0</u> | <u>89.1</u> |
| Total expenses..... | <u>1,018.0</u> | <u>996.7</u> | <u>1,005.2</u> |
| INCOME BEFORE INCOME TAXES..... | 282.5 | 271.6 | 262.5 |
| Income taxes (Notes 1 and 3)..... | <u>113.0</u> | <u>99.6</u> | <u>97.7</u> |
| NET INCOME..... | 169.5 | 172.0 | 164.8 |
| Preferred dividends (Note 8)..... | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| EARNINGS ON COMMON STOCK..... | <u>\$ 168.6</u> | <u>\$ 171.1</u> | <u>\$ 163.9</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company
CONSOLIDATED STATEMENT OF CASH FLOWS

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 1998 | 1997 | 1996 |
| OPERATING ACTIVITIES | | | |
| Cash received from utility customers | \$1,258.0 | \$1,230.3 | \$1,231.2 |
| Other operating cash receipts | 13.7 | 12.0 | 10.7 |
| Cash paid for: | | | |
| Fuel and purchased power | (266.5) | (235.9) | (207.6) |
| Purchased gas | (138.6) | (167.2) | (163.3) |
| Operation and maintenance labor | (84.0) | (81.4) | (85.9) |
| Nonlabor operating expenditures | (139.0) | (153.5) | (194.2) |
| Interest | (86.0) | (85.2) | (87.8) |
| Income taxes | (132.3) | (89.0) | (89.1) |
| Property, excise and payroll taxes | <u>(131.1)</u> | <u>(130.5)</u> | <u>(125.7)</u> |
| Net cash provided by operating activities (Note 10) | 294.2 | 299.6 | 288.3 |
| INVESTING ACTIVITIES | | | |
| Property expenditures | (106.4) | (110.9) | (116.9) |
| Other activities | <u>(106.8)</u> | <u>(48.4)</u> | <u>(50.3)</u> |
| Net cash used for investing activities | <u>(213.2)</u> | <u>(159.3)</u> | <u>(167.2)</u> |
| FINANCING ACTIVITIES | | | |
| Dividends paid on common stock | (238.8) | (118.5) | (138.3) |
| Issuance of short-term debt | 100.2 | 69.8 | 6.5 |
| Parent company capital contribution | 49.0 | - | - |
| Retirement of long-term debt | (0.4) | (81.0) | (25.4) |
| Dividends paid on preferred stock | <u>(0.9)</u> | <u>(0.9)</u> | <u>(0.9)</u> |
| Net cash used for financing activities | <u>(90.9)</u> | <u>(130.6)</u> | <u>(158.1)</u> |
| Cash and temporary cash investments-- | | | |
| Net change | (9.9) | 9.7 | (37.0) |
| Balance at beginning of period | <u>11.8</u> | <u>2.1</u> | <u>39.1</u> |
| Balance at end of period | <u>\$ 1.9</u> | <u>\$ 11.8</u> | <u>\$ 2.1</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

| \$ in millions | At December 31, | |
|--|------------------|------------------|
| | 1998 | 1997 |
| ASSETS | | |
| Property | \$3,688.6 | \$3,587.8 |
| Less-- | | |
| Accumulated depreciation and amortization..... | (1,472.2) | (1,355.8) |
| Net property..... | <u>2,216.4</u> | <u>2,232.0</u> |
| Current Assets | | |
| Cash and temporary cash investments..... | 1.9 | 11.8 |
| Accounts receivable, less provision for uncollectible accounts of \$4.7 and \$4.7 respectively..... | 219.2 | 205.8 |
| Inventories, at average cost..... | 112.2 | 87.1 |
| Taxes applicable to subsequent years..... | 93.4 | 91.9 |
| Other..... | <u>49.7</u> | <u>61.4</u> |
| Total current assets..... | <u>476.4</u> | <u>458.0</u> |
| Other Assets | | |
| Financial assets..... | 232.2 | 111.1 |
| Income taxes recoverable through future revenues (Notes 1 and 2)..... | 195.5 | 208.2 |
| Other regulatory assets (Note 2)..... | 82.2 | 116.7 |
| Other assets..... | <u>209.7</u> | <u>200.8</u> |
| Total other assets..... | <u>719.6</u> | <u>636.8</u> |
| TOTAL ASSETS | <u>\$3,412.4</u> | <u>\$3,326.8</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

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CONSOLIDATED BALANCE SHEET
(continued)

| \$ in millions | At December 31, | |
|--|-------------------------|-------------------------|
| | 1998 | 1997 |
| CAPITALIZATION AND LIABILITIES | | |
| Capitalization | | |
| Common shareholder's equity | | |
| Common stock..... | \$ 0.4 | \$ 0.4 |
| Other paid-in capital..... | 788.2 | 739.1 |
| Accumulated other comprehensive income..... | 33.6 | 20.3 |
| Earnings reinvested in the business..... | <u>450.8</u> | <u>521.0</u> |
| Total common shareholder's equity..... | <u>1,273.0</u> | <u>1,280.8</u> |
| Preferred stock (Note 8)..... | 22.9 | 22.9 |
| Long-term debt (Note 7)..... | <u>885.6</u> | <u>886.0</u> |
| Total capitalization..... | <u>2,181.5</u> | <u>2,189.7</u> |
| Current Liabilities | | |
| Short-term debt (Note 6)..... | 181.2 | 81.0 |
| Accounts payable..... | 106.6 | 124.2 |
| Accrued taxes..... | 160.9 | 157.8 |
| Accrued interest..... | 20.7 | 20.7 |
| Other..... | <u>50.2</u> | <u>42.3</u> |
| Total current liabilities..... | <u>519.6</u> | <u>426.0</u> |
| Deferred Credits And Other | | |
| Deferred taxes (Note 3)..... | 488.2 | 500.5 |
| Unamortized investment tax credit..... | 69.3 | 72.2 |
| Other..... | <u>153.8</u> | <u>138.4</u> |
| Total deferred credits and other..... | <u>711.3</u> | <u>711.1</u> |
| TOTAL CAPITALIZATION AND LIABILITIES..... | <u>\$3,412.4</u> | <u>\$3,326.8</u> |

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholder's Equity

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| \$ in millions | Common Stock (a) | | Other Paid-In Capital | Accumulated Other Comprehensive Income | Earnings Reinvested in the Business | Total |
|---|-----------------------|--------|--------------------------|---|--|-----------|
| | Outstanding Shares | Amount | | | | |
| 1996: | | | | | | |
| Beginning Balance..... | 41,172,173 | \$0.4 | \$738.7 | \$8.2 | \$443.2 | \$1,190.5 |
| Comprehensive income: | | | | | | |
| Net income | | | | | 164.8 | 164.8 |
| Net unrealized gains on securities after tax (b) | | | | 1.5 | | 1.5 |
| Adjustment for net realized gains after tax | | | | (0.1) | | (0.1) |
| Total comprehensive income | | | | | | 166.2 |
| Common stock dividends | | | | | (138.3) | (138.3) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Other | | | 0.2 | | (0.2) | - |
| Ending balance..... | 41,172,173 | \$0.4 | \$738.9 | \$9.6 | \$468.6 | \$1,217.5 |
| 1997: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 172.0 | 172.0 |
| Net unrealized gains on securities after tax (b) | | | | 10.7 | | 10.7 |
| Total comprehensive income | | | | | | 182.7 |
| Common stock dividends | | | | | (118.5) | (118.5) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Other | | | 0.2 | | (0.2) | - |
| Ending balance..... | 41,172,173 | \$0.4 | \$739.1 | \$20.3 | \$521.0 | \$1,280.8 |
| 1998: | | | | | | |
| Comprehensive income: | | | | | | |
| Net income | | | | | 169.5 | 169.5 |
| Net unrealized gains on securities after tax (b) | | | | 13.3 | | 13.3 |
| Total comprehensive income | | | | | | 182.8 |
| Common stock dividends | | | | | (238.8) | (238.8) |
| Preferred stock dividends | | | | | (0.9) | (0.9) |
| Parent company capital contribution | | | 49.0 | | | 49.0 |
| Other | | | 0.1 | | - | 0.1 |
| Ending balance..... | 41,172,173 | \$0.4 | \$788.2 | \$33.6 | \$450.8 | \$1,273.0 |

(a) 50,000,000 shares authorized.

(b) Net of taxes of \$0.8 million, \$5.8 million and \$7.2 million in 1996, 1997 and 1998 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary Of Significant Accounting Policies

The Company is a wholly-owned subsidiary of DPL Inc. The accounts of the Company and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. These statements are presented in accordance with generally accepted accounting principles which require management to make estimates and assumptions related to future events. The Company's results are presented as one segment. Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation. The consolidated financial statements principally reflect the results of operations and financial condition of the Company. DPL Inc. and its other wholly-owned subsidiaries provide certain administrative services to the Company including leases, equipment, insurance and other services. These costs (in millions) were \$20.1 in 1998, \$53.5 in 1997 and \$52.6 in 1996. The Company is a public utility primarily engaged in the business of selling electric energy and natural gas to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio.

Revenues and Fuel

Revenues include amounts charged to customers through fuel and gas recovery clauses, which are adjusted periodically for changes in such costs. Related costs that are recoverable or refundable in future periods are deferred along with the related income tax effects. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

The Company records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of (in millions) \$99.5 in 1998 and \$78.3 in 1997.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

When a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation. Maintenance costs and replacements of minor items of property are charged to expense.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.5%.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. Additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits, previously deferred, are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

The temporary cash investments presented on this Statement consist of liquid investments with an original maturity of three months or less.

2. Regulatory Matters

The Company applies the provisions of Statement of Financial Accounting Standard (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. This accounting standard provides for the deferral of costs authorized for future recovery by regulators. These costs would be charged to expense without regulatory authorization. Regulatory assets on the Consolidated Balance Sheet include:

| | At December 31, | |
|--|-----------------|----------------|
| | 1998 | 1997 |
| | --millions-- | |
| Phase-in (a) | \$ 12.9 | \$ 30.6 |
| DSM (b) | 19.6 | 33.6 |
| Deferred interest (c) | 49.7 | 52.5 |
| Income taxes recoverable through future revenues | 195.5 | 208.2 |
| Total | <u>\$277.7</u> | <u>\$324.9</u> |

(a) Amounts deferred during a 1992-1994 electric rate increase phase-in (including carrying charges) are being recovered in current revenues.

(b) DSM costs (including carrying charges) from the Company's cost-effective programs are deferred and are being recovered at approximately \$9 million per year.

The 1992 PUCO-approved agreement for the phase-in plan and DSM programs, as updated in 1995, provides for accelerated recovery of DSM costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose. In 1998, amortization of regulatory assets included an additional \$10.4 million of accelerated cost recovery.

(c) Interest charges related to the William H. Zimmer Generating Station which were previously deferred pursuant to PUCO approval are being amortized at \$2.8 million per year over the projected life of the asset.

3. Income Taxes

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| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 1998 | 1997 | 1996 |
| COMPUTATION OF TAX EXPENSE | | | |
| Federal income tax (a)..... | \$ 98.9 | \$ 95.0 | \$ 91.9 |
| Increases (decreases) in tax from -- | | | |
| Regulatory assets | 4.0 | 3.6 | 3.3 |
| Depreciation | 12.5 | 11.4 | 10.7 |
| Investment tax credit amortized | (3.0) | (3.0) | (3.0) |
| Other, net | 0.6 | (7.4) | (5.2) |
| Total tax expense | <u>\$113.0</u> | <u>\$ 99.6</u> | <u>\$ 97.7</u> |
| COMPONENTS OF TAX EXPENSE | | | |
| Taxes currently payable..... | \$129.2 | \$102.4 | \$102.1 |
| Deferred taxes-- | | | |
| Regulatory assets | (8.3) | (4.0) | (3.5) |
| Liberalized depreciation and amortization..... | 5.9 | 5.3 | 7.2 |
| Fuel and gas costs | (5.8) | 5.5 | 2.5 |
| Other | (5.0) | (6.6) | (6.4) |
| Deferred investment tax credit, net..... | (3.0) | (3.0) | (4.2) |
| Total tax expense | <u>\$113.0</u> | <u>\$ 99.6</u> | <u>\$ 97.7</u> |

(a) The statutory rate of 35% applied to pre-tax income.

COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

| \$ in millions | At December 31, | |
|-------------------------------------|------------------|------------------|
| | 1998 | 1997 |
| NON-CURRENT LIABILITIES | | |
| Depreciation/property basis | \$(438.2) | \$(443.0) |
| Income taxes recoverable..... | (68.4) | (72.4) |
| Regulatory assets | (28.0) | (38.6) |
| Investment tax credit..... | 24.2 | 25.3 |
| Other | 22.2 | 28.2 |
| Net non-current liability | <u>\$(488.2)</u> | <u>\$(500.5)</u> |
| Net Current Asset (Liability) | <u>\$ 3.7</u> | <u>\$ (2.7)</u> |

4. Pensions And Postretirement Benefits

Pensions

Substantially all Company employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age, compensation and year of retirement. The plans are funded in amounts actuarially determined to provide for these benefits.

An interest rate for discounting the obligation and expense of 6.25% and the expected rate of return of 7.5% were used in developing the amounts in the following tables. Increases in compensation levels approximating 5.0% were used for all years.

The following table sets forth the components of pension expense (portions of which were capitalized):

| \$ in millions | 1998 | 1997 | 1996 |
|--------------------------------------|-----------------|-----------------|---------------|
| Expense for Year | | | |
| Service cost | \$ 5.9 | \$ 6.3 | \$ 6.2 |
| Interest cost | 15.9 | 15.2 | 15.0 |
| Expected return on plan assets | (23.3) | (20.5) | (18.1) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | 1.2 | - | 1.0 |
| Prior service cost | 2.1 | 2.1 | 2.1 |
| Transition obligation | (4.2) | (4.2) | (4.2) |
| Net pension cost | <u>\$ (2.4)</u> | <u>\$ (1.1)</u> | <u>\$ 2.0</u> |

The following tables set forth the plans' obligations, assets and amounts recorded in Other assets on the Consolidated Balance sheet at December 31:

| \$ in millions | 1998 | 1997 |
|---|----------------|----------------|
| Change in Projected Benefit Obligation | | |
| Benefit obligation, January 1 | \$259.1 | \$255.1 |
| Service cost | 5.9 | 6.3 |
| Interest cost | 15.9 | 15.2 |
| Actuarial (gain) loss | 0.8 | 7.4 |
| Benefits paid | (12.5) | (24.9) |
| Benefit obligation, December 31 | <u>269.2</u> | <u>259.1</u> |
| Change in Plan Assets | | |
| Fair value of plan assets, January 1 | 330.2 | 321.4 |
| Actual return on plan assets | 41.2 | 33.7 |
| Benefits paid | (12.5) | (24.9) |
| Fair value of plan assets, December 31 | <u>358.9</u> | <u>330.2</u> |
| Plan assets in excess of projected benefit obligation | 89.7 | 71.1 |
| Actuarial gains and losses | (46.6) | (28.3) |
| Unamortized prior service cost | 11.8 | 13.9 |
| Unamortized transition obligation | (7.2) | (11.3) |
| Net pension assets | <u>\$ 47.7</u> | <u>\$ 45.4</u> |

Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. The Company has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust.

The tables below have been developed based on the following assumptions. The interest rate for discounting the obligation and expense was 6.25% and the expected rate of return was 5.7%. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.5% and 9.0% for 1998 and 1997, respectively, and decreases to 5.0% by 2005. A one percentage point change in the assumed health care trend rate would affect the service and interest cost by \$0.1 million. A one percentage point increase in the assumed health care trend rate would increase the postretirement benefit obligation by \$2.1 million; and a one percentage point decrease would decrease the benefit obligation by \$1.9 million.

The following table sets forth the components of postretirement benefit expense:

| \$ in millions | 1998 | 1997 | 1996 |
|--------------------------------------|---------------|---------------|---------------|
| <u>Expense for Year</u> | | | |
| Interest cost | \$ 2.0 | \$ 2.2 | \$ 2.5 |
| Expected return on plan assets | (1.0) | (0.8) | (0.6) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (2.2) | (4.1) | - |
| Transition obligation | 3.0 | 3.0 | 2.9 |
| Postretirement benefit cost | <u>\$ 1.8</u> | <u>\$ 0.3</u> | <u>\$ 4.8</u> |

The following table sets forth the accumulated postretirement benefit obligation ("APBO"), assets and funded status amounts recorded in Other Deferred Credits on the Consolidated Balance Sheet at December 31:

| \$ in millions | 1998 | 1997 |
|--|----------------|----------------|
| <u>Change in APBO</u> | | |
| Benefit obligation, January 1 | \$ 36.5 | \$ 41.8 |
| Interest cost | 2.0 | 2.2 |
| Actuarial (gain) loss | (3.4) | (5.3) |
| Benefits paid | (2.2) | (2.2) |
| Benefit obligation, December 31 | <u>32.9</u> | <u>36.5</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 12.1 | 11.9 |
| Actual return on plan assets | 1.0 | 0.8 |
| Benefits paid | (0.6) | (0.6) |
| Fair value of plan assets, December 31 | <u>12.5</u> | <u>12.1</u> |
| APBO in excess of plan assets | 20.4 | 24.4 |
| Unamortized transition obligation | (12.9) | (15.9) |
| Actuarial gains and losses | 26.4 | 25.5 |
| Accrued postretirement benefit liability | <u>\$ 33.9</u> | <u>\$ 34.0</u> |

5. Ownership of Facilities

The Company owns an undivided interest in certain electric generating and transmission facilities with other Ohio utilities. Each utility is obligated to pay its ownership share of construction and operation costs of each facility. As of December 31, 1998, the Company had \$4.3 million of such facilities under construction. The Company's share of expenses is included in the Consolidated Statement of Results of Operations.

The following table presents the Company's undivided interest in such facilities at December 31, 1998:

| | Company Share | | Company Investment |
|---|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Eckjard Unit 6 | 50.0 | 210 | 56 |
| Conesville Unit 4 | 16.5 | 129 | 31 |
| East Bend Station | 31.0 | 186 | 151 |
| Killen Station | 67.0 | 418 | 406 |
| Miami Fort Units 7 & 8 | 36.0 | 360 | 124 |
| Stuart Station | 35.0 | 823 | 246 |
| Zimmer Station | 28.1 | 365 | 992 |
| Transmission (at varying percentages) | | | 69 |

6. Notes Payable And Compensating Balances

DPL Inc. and its subsidiaries have \$300 million available through revolving credit agreements with a consortium of banks. One agreement, for \$200 million, expires in 2002 and the other, for \$100 million, expires in 2000. Facility fees are approximately \$315,000 per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the Company's commercial paper program. At December 31, 1998, DPL Inc. had no outstanding borrowings under these credit agreements. At December 31, 1997, there was \$36 million outstanding under a previous credit agreement.

The Company also has \$96.6 million available in short-term informal lines of credit. To support these lines of credit, the Company is required to maintain average daily compensating balances of approximately \$400,000. The commitment fees are immaterial. The Company had \$80.9 million and \$10.0 million in borrowings from these lines of credit at a weighted average interest rate of 5.46% and 6.0% at December 31, 1998 and 1997, respectively.

The Company had \$99.0 million and \$69.7 million in commercial paper outstanding at a weighted average interest rate of 5.25% and 6.0% at December 31, 1998 and 1997, respectively.

7. Long-Term Debt

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| \$ in millions | At December 31, | |
|--|-----------------|----------------|
| | 1998 | 1997 |
| First mortgage bonds maturing: | | |
| 2022-2026 - 8.14% (a) | \$671.0 | \$671.0 |
| Pollution control series maturing through 2027 - 6.43% (a) | <u>106.8</u> | <u>107.2</u> |
| | 777.8 | 778.2 |
| Guarantee of Air Quality Development Obligations | | |
| 6.10% Series Due 2030 | 110.0 | 110.0 |
| Unamortized debt discount and premium (net)..... | <u>(2.2)</u> | <u>(2.2)</u> |
| Total | <u>\$885.6</u> | <u>\$886.0</u> |

(a) Weighted average interest rates for 1998 and 1997.

The amounts of maturities and mandatory redemptions for first mortgage bonds and notes are \$0.4 million per year in 1999 through 2003. Substantially all property of the Company is subject to the mortgage lien securing the first mortgage bonds.

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8. Preferred Stock

\$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series | Rate | Current Redemption Price | Current Shares Outstanding | Par Value At December 31, 1998 and 1997 (\$ in millions) |
|--------|-------|--------------------------------|----------------------------------|--|
| A | 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B | 3.75% | \$103.00 | 69,398 | 7.0 |
| C | 3.90% | \$101.00 | <u>65,830</u> | <u>6.6</u> |
| Total | | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of the Company at the per share prices indicated, plus cumulative accrued dividends.

9. Fair Value Of Financial Instruments

| \$ in millions | At December 31, | | | |
|--------------------------------------|-----------------|---------|------------|-------|
| | 1998 | | 1997 | |
| | Fair Value | Cost | Fair Value | Cost |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Available for sale securities | 298.9 | 247.2 | 165.0 | 133.8 |
| Held to maturity securities (a)..... | 55.5 | 54.2 | 57.5 | 56.7 |
| Liabilities (b) | | | | |
| Debt..... | 1,152.5 | 1,067.3 | 1,038.7 | 967.4 |

(a) Maturities range from 1999 to 2011.

(b) Includes current maturities.

Assets with quoted market prices are carried at market; the remaining financial assets are carried at cost.

10. Reconciliation Of Net Income To Net Cash Provided By Operating Activities

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 1998 | 1997 | 1996 |
| Net income | \$169.5 | \$172.0 | \$164.8 |
| Adjustments: | | | |
| Depreciation and amortization | 125.5 | 121.8 | 117.9 |
| Deferred income taxes | (16.2) | (2.8) | (3.3) |
| Other deferred credits | 20.4 | 6.9 | 7.3 |
| Amortization of regulatory assets, net | 33.0 | 20.9 | 19.7 |
| Operating expense provisions | 2.3 | (26.0) | (10.2) |
| Accounts receivable | (13.5) | (12.4) | (48.9) |
| Accounts payable | (21.0) | 16.4 | 10.0 |
| Accrued taxes payable | 3.1 | 21.2 | 20.7 |
| Inventory | (25.1) | (12.0) | 6.5 |
| Other | 16.2 | (6.4) | 3.8 |
| Net cash provided by operating activities | <u>\$294.2</u> | <u>\$299.6</u> | <u>\$288.3</u> |

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SELECTED QUARTERLY INFORMATION

| \$ in millions | March 31, | | June 30, | | September 30, | | December 31, | |
|----------------------------------|-----------|-------|----------|-------|---------------|-------|--------------|-------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Utility service revenues | 352.9 | 357.3 | 293.2 | 269.8 | 319.2 | 283.9 | 318.9 | 343.4 |
| Income before income taxes | 110.7 | 94.6 | 60.4 | 51.6 | 76.4 | 73.1 | 35.0 | 52.3 |
| Net income | 69.5 | 62.2 | 36.2 | 33.2 | 45.1 | 44.3 | 18.7 | 32.3 |
| Earnings on common stock | 69.3 | 62.0 | 36.0 | 33.0 | 44.9 | 44.1 | 18.4 | 32.0 |
| Dividends paid | 116.8 | 28.9 | 55.2 | 29.0 | 38.1 | 29.0 | 28.7 | 31.6 |

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FINANCIAL AND STATISTICAL SUMMARY

| | | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|----|---------------|---------------|---------------|---------------|---------------|
| For the years ended December 31, | | | | | | |
| Utility service revenues (millions) | \$ | 1,284.2 | 1,254.4 | 1,258.4 | 1,257.5 | 1,190.3 |
| Earnings on common stock (millions) | \$ | 168.6 | 171.1 | 163.9 | 158.5 | 147.7 |
| Earnings per share of common stock | \$ | 4.10 | 4.16 | 3.98 | 3.85 | 3.59 |
| Dividends paid (millions) | \$ | 238.8 | 118.5 | 138.3 | 132.6 | 103.7 |
| Electric sales (millions of kWh)-- | | | | | | |
| Residential | | 4,790 | 4,788 | 4,924 | 4,871 | 4,465 |
| Commercial | | 3,518 | 3,408 | 3,407 | 3,425 | 3,068 |
| Industrial | | 4,655 | 4,749 | 4,540 | 4,401 | 4,388 |
| Other | | <u>4,518</u> | <u>3,664</u> | <u>3,443</u> | <u>4,117</u> | <u>2,298</u> |
| Total | | 17,481 | 16,609 | 16,314 | 16,814 | 14,219 |
| Gas sales (thousands of MCF)-- | | | | | | |
| Residential | | 24,877 | 29,277 | 31,087 | 29,397 | 27,911 |
| Commercial | | 7,433 | 9,567 | 9,424 | 8,307 | 8,081 |
| Industrial | | 1,916 | 2,520 | 3,404 | 2,584 | 3,150 |
| Other | | 1,699 | 2,153 | 2,829 | 3,006 | 2,909 |
| Transported gas | | <u>17,788</u> | <u>18,523</u> | <u>16,953</u> | <u>16,376</u> | <u>15,147</u> |
| Total | | 53,713 | 62,040 | 63,697 | 59,670 | 57,198 |
| At December 31, | | | | | | |
| Total assets (millions) | \$ | 3,412.4 | 3,326.8 | 3,243.2 | 3,204.3 | 3,147.0 |
| Long-term debt (millions) | \$ | 885.6 | 886.0 | 926.3 | 991.5 | 1,003.7 |
| First mortgage bond ratings-- | | | | | | |
| Duff & Phelps, Inc. | | AA | AA | AA | AA | AA |
| Standards & Poor's Corporation | | AA- | AA- | AA- | AA- | AA- |
| Moody's Investors Service | | Aa3 | Aa3 | Aa3 | Aa3 | A1 |
| Number of Preferred Shareholders | | 559 | 625 | 684 | 733 | 795 |

Report of Independent Accountants

To the Board of Directors of The Dayton Power and Light Company

In our opinion, the consolidated financial statements listed in the index, appearing under Item 8 on page II-8 of this Form 10-K, present fairly, in all material respects, the financial position of The Dayton Power and Light Company (the "Company") and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Dayton, Ohio
January 20, 1999

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**Report of Independent Accountants
on Financial Statement Schedule**

To the Board of Directors of The Dayton Power and Light Company

Our audits of the consolidated financial statements of The Dayton Power and Light Company and its subsidiaries referred to in our report dated January 20, 1999 appearing on page II-26 of this Annual Report on Form 10-K also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Dayton, Ohio
January 20, 1999

Item 9 - Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

PART III

Item 10 - Directors And Executive Officers Of The Registrant

Directors of the Registrant

The Board is presently authorized to consist of nine directors. These nine directors are also directors of DPL Inc., the holding company of the Company. Nine directors are to be elected this year to serve until the Annual Meeting of Shareholders in 2000 or until their successors are duly elected and qualified. Should any nominee become unable to accept nomination or election, the Board will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee.

The following information regarding the nominees is based on information furnished by them:

| | Director Since |
|--|-------------------|
| THOMAS J. DANIS, Age 49 <i>Chairman and Chief Executive Officer,</i> <i>The Danis Companies, Dayton, Ohio,</i> <i>construction, real estate and environmental services.</i> <i>Director: CSR America Inc.</i> <i>Trustee: Dayton Foundation,</i> <i>Miami Valley Research Park Foundation.</i> | 1989 |
| JAMES F. DICKE, II, Age 53 <i>President, Crown Equipment Corporation, New Bremen, Ohio,</i> <i>international manufacturer and distributor of electric lift trucks</i> <i>and material handling products.</i> <i>Director: Regional Boys and Girls Clubs of America,</i> <i>Anderson-Cooke, Inc., Dayton Art Institute.</i> <i>Chairman: Trinity University Board of Trustees.</i> <i>Secretary: Culver Educational Foundation.</i> | 1990 |

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| | Director Since |
|---|-------------------|
| <p>PETER H. FORSTER, Age 56</p> <p>Chairman, DPL Inc. and The Dayton Power and Light Company.</p> <p>Chairman: Miami Valley Research Foundation.</p> <p>Director: Amcast Industrial Corp.,</p> <p>Comair Holdings, Inc.</p> <p>Trustee: F. M. Tait Foundation, Arts Center Foundation.</p> | 1979 |
| <p>ERNIE GREEN, Age 60</p> <p>President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio, automotive components manufacturer.</p> <p>Director: Pitney Bowes Inc., WPTD-TV, Eaton Corp., Gradall.</p> | 1991 |
| <p>JANE G. HALEY, Age 68</p> <p>President and Chief Executive Officer, Gosiger, Inc., Dayton, Ohio, national importer and distributor of machine tools.</p> <p>Director: Ultra-Met, Urbana, Ohio, ONA America, Dayton, Ohio.</p> <p>Trustee: University of Dayton, Chaminade-Julienne High School, Dayton, Ohio.</p> <p>Member: Area Progress Council, Miami Valley Economic Development Coalition.</p> | 1978 |
| <p>ALLEN M. HILL, Age 53</p> <p>President and Chief Executive Officer, DPL Inc. and The Dayton Power and Light Company.</p> <p>Director: Fifth Third Bank, Premier Health Partners.</p> <p>Trustee: Dayton Business Committee, The University of Dayton, Air Force Museum Foundation, Alliance Community Schools.</p> | 1989 |

| | Director Since |
|---|-------------------|
| W AUGUST HILLENBRAND, Age 58 President and Chief Executive Officer, Hillenbrand Industries, Batesville, Indiana, a diversified public holding company with four wholly-owned and autonomously operated subsidiaries manufacturing caskets, hospital furniture, hospital supplies, and providing funeral planning services. Director: Forecorp, Inc., Forethought Life Insurance Company. Trustee: Denison University, National Committee for Quality Health Care, Batesville Girl Scouts. | 1992 |
| DAVID R. HOLMES, Age 58 Chairman, President and Chief Executive Officer, The Reynolds and Reynolds Company, Dayton, Ohio, information management systems. Director: NCR Corporation, Dayton, Ohio. Advisor: J. L. Kellogg Graduate School of Management, Northwestern University. Member: Dayton Business Committee, Area Progress Council, Downtown Dayton Partnership. | 1994 |
| BURNELL R. ROBERTS, Age 71 Retired Chairman of the Board and Chief Executive Officer, The Mead Corporation, Dayton, Ohio, forest products producer. Director: Rayonier, Inc., Universal Protective Packaging, Inc., Vutek, Inc. Trustee: Granum Value Fund. | 1987 |

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**EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 1999)**

| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|---------------------|------------|---|---|
| Peter H. Forster | 56 | Chairman Chairman, DPL Inc. Chairman and Chief Executive Officer, DPL Inc. Chairman, President and Chief Executive Officer, DPL Inc. | 4/06/92 - 3/01/99 1/01/97 - 3/01/98 9/26/95 - 1/01/97 4/05/88 - 9/26/95 |
| Allen M. Hill | 53 | President and Chief Executive Officer President and Chief Executive Officer, DPL Inc. President and Chief Operating Officer, DPL Inc. | 4/06/92 - 3/01/99 1/01/97 - 3/01/98 9/26/95 - 1/01/97 |
| Beth E. Mooney | 44 | Executive Vice President and Chief Operating Officer, DPL Inc. and the Company Regional Executive, Banc One Corporation Chairman and Chief Executive Officer, Bank One, Dayton President and Chief Operating Officer, Bank One, Akron Chief Financial Officer, Banc One, Ohio Corporation | 6/15/98 - 3/01/99 1/01/98 - 6/15/98 11/01/95 - 1/01/98 9/01/94 - 11/01/95 3/01/93 - 9/01/94 |
| Paul R. Anderson | 56 | Controller | 4/12/81 - 3/01/99 |
| Stephen P. Bramlage | 52 | Assistant Vice President | 1/01/94 - 3/01/99 |
| Jeanne S. Holihan | 42 | Assistant Vice President | 3/17/93 - 3/01/99 |

**EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 1999)**

| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|------------------------|------------|---|--------------------|
| Stephen F. Koziar, Jr. | 54 | Group Vice President and Secretary, DPL Inc. and the Company | 1/31/95 - 3/01/99 |
| | | Group Vice President, DPL Inc. and the Company | 12/10/87 - 1/31/95 |
| Judy W. Lansaw | 47 | Group Vice President, DPL Inc. and the Company | 1/31/95 - 3/01/99 |
| | | Group Vice President and Secretary, DPL Inc. and the Company | 12/07/93 - 1/31/95 |
| Arthur G. Meyer | 49 | Vice President, Legal and Corporate Affairs | 11/21/97 - 3/01/99 |
| | | Director, Corporate Relations | 5/14/96 - 11/21/97 |
| | | Treasurer | 6/27/95 - 5/14/96 |
| | | Director, Financial Activities | 5/09/94 - 6/27/95 |
| | | Manager, Service Operations | 1/31/94 - 5/09/94 |
| Bryce W. Nickel | 42 | Assistant Vice President | 1/01/94 - 3/01/99 |
| H. Ted Santo | 48 | Group Vice President | 12/08/92 - 3/01/99 |
| James P. Torgerson | 46 | Vice President, Chief Financial Officer and Treasurer, DPL Inc. and the Company | 7/01/98 - 3/01/99 |
| | | Vice President and Chief Financial Officer, Puget Sound Energy, Inc. | 2/10/97 - 3/15/98 |
| | | Executive Vice President, Chief Administrative Officer and Chief Financial Officer, Washington Energy Company | 8/01/95 - 2/10/97 |
| | | Senior Vice President Finance, Planning and Development, and Chief Financial Officer, Washington Energy Company | 11/01/89 - 8/01/95 |
| | | | |

Item 11 - Executive Compensation

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive \$12,000 annually for services as a director, \$600 for attendance at a Board meeting, and \$500 for attendance at a committee meeting or operating session of DPL Inc. and the Company. Members of the Executive Committee of DPL Inc. receive \$2,000 annually for services on that committee. Each committee chairman receives an additional \$1,600 annually. Directors who are not employees of the Company also participate in a Directors' Deferred Stock Compensation Plan (the "Stock Plan") under which a number of DPL Inc. common shares are awarded to directors each year. All shares awarded under the Stock Plan are transferred to a grantor trust (the "Master Trust") maintained by DPL Inc. to secure its obligations under various directors' and officers' deferred and incentive compensation plans. Receipt of the shares or cash equal to the value thereof is deferred until the participant retires as a director or until such other time as designated by the participant and approved by the Compensation and Management Review Committee (the "Committee") of DPL Inc. In the event of a change of control (as defined in the Stock Plan), the authority and discretion which is exercisable by the Committee, will be exercised by the trustees of the Master Trust. In April 1998, each non-employee director was awarded 2,700 shares.

DPL Inc. maintains a Deferred Compensation Plan (the "Compensation Plan") for non-employee directors of DPL Inc. and the Company in which payment of directors' fees may be deferred. The Compensation Plan also includes a supplementary deferred income program which provides that DPL Inc. will match \$5,000 annually of deferred directors' fees for a maximum of ten years. Under the supplementary program, a \$150,000 death benefit is provided until such director ceases to participate in the Compensation Plan. Under the standard deferred income program directors are entitled to receive a lump sum payment or payments in installments over a period up to 20 years. A director may elect payment in either cash or common shares. Participants in the supplementary program are entitled to receive deferred payments over a ten-year period in equal installments. The Compensation Plan provides that in the event of a change in control of DPL Inc., as defined in the Compensation Plan, all benefits provided under the supplementary deferred income program become immediately vested without the need for further contributions by the participants and the discretion which, under the Compensation Plan, is exercisable by the Chief Executive Officer of DPL Inc. will be exercised by the trustees of the Master Trust. If the consent of the Chief Executive Officer of DPL Inc. is obtained, individuals who have attained the age of 55 and who are no longer directors of DPL Inc. or the Company may receive a lump sum payment of amounts credited to them under the supplementary deferred income program.

Mr. Forster, who retired as Chief Executive Officer of DPL Inc. effective December 31, 1996, has entered into an agreement with DPL Inc. and the Company pursuant to which he serves as Chairman of the Board of DPL Inc. and the Company and provides advisory and strategic planning services. The term of the agreement expires on December 31, 1999 (which term is automatically extended on December 31, 1999 and each December 31 thereafter for an additional year unless either party gives advance notice of nonrenewal). For these services, Mr. Forster receives an annual consulting fee of \$500,000 (as well as such bonuses, if any, as may

be determined by the Compensation and Management Review Committee in its discretion) and an award opportunity of 35,000 restricted shares under the Stock Plan. As Chairman, Mr. Forster is responsible for long-term strategic planning of the Company, the oversight of financial assets, and the evaluation and recommendations relating to the merger, acquisition and disposition of utility assets. Mr. Forster participates in a bonus program for individuals managing financial assets. Under this program, bonuses will be paid in 2000 based on net cumulative investment performance of such assets over the four-year period 1996 through 1999 and for each year thereafter based on annual performance. Payments under the bonus program, if and as earned, will be credited to a deferred payment account, and will continue following termination of the agreement. Mr. Forster's average annualized bonus payable under the program is estimated to be 83,600 SIU's (at an estimated value of \$19 per unit) for each of 1996, 1997 and 1998 based on investment performance through 1998.

EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table

Set forth below is certain information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company for the last three fiscal years, for services rendered in all capacities to the Company and its subsidiaries, DPL Inc., and the other subsidiaries of DPL Inc.

| Name and Principal Position* | Year | Annual Compensation | | Long-Term Compensation | All Other Compensation (3) |
|------------------------------|------|---------------------|----------------|---------------------------------------|----------------------------|
| | | Salary (\$) | Bonus (1) (\$) | Restricted Stock Unit Awards (2) (\$) | |
| Allen M. Hill | 1998 | 500,000 | 300,000 | 880,000 ('99-01) | 1,000 |
| President and Chief | 1997 | 430,000 | 258,000 | 834,000 ('98-00) | 1,000 |
| Executive Officer | 1996 | 377,000 | 226,000 | 717,000 ('97-99) | 1,000 |
| Peter H. Forster (4) | 1998 | 500,000 | 200,000 | 840,000 ('99-01) | 87,000 |
| Chairman | 1997 | 500,000 | 150,000 | 840,000 ('98-00) | 70,400 |
| | 1996 | 597,000 | 358,000 | 984,000 ('97-99) | 1,000 |
| Judy W. Lansaw | 1998 | 264,000 | 119,000 | 347,000 ('99-01) | 1,000 |
| Group Vice President | 1997 | 240,000 | 108,000 | 411,000 ('98-00) | 1,000 |
| | 1996 | 214,000 | 96,000 | 393,000 ('97-99) | 1,000 |
| Stephen F. Koziar, Jr. | 1998 | 244,000 | 110,000 | 336,000 ('99-01) | 1,000 |
| Group Vice President | 1997 | 231,000 | 104,000 | 234,000 ('98-00) | 1,000 |
| and Secretary | 1996 | 218,000 | 98,000 | 216,000 ('97-99) | 1,000 |
| H. Ted Santo | 1998 | 243,000 | 109,000 | 326,000 ('99-01) | 1,000 |
| Group Vice President | 1997 | 226,000 | 102,000 | 297,000 ('98-00) | 1,000 |
| | 1996 | 205,000 | 92,000 | 305,000 ('97-99) | 1,000 |

* In addition to the named executive officers, Beth E. Mooney, Executive Vice President and Chief Operating Officer—DPL Inc., and James P. Torgerson, Vice President, Chief Financial Officer and Treasurer—DPL Inc., joined DPL Inc. in mid-year 1998.

- (1) Amounts in this column represent awards made under the Management Incentive Compensation Program. Awards are based on achievement of specific predetermined operating and management goals in the year indicated and paid in the year earned or in the following year.
- (2) Amounts shown in this column have not been paid, but are contingent on performance and represent the dollar value of restricted stock incentive units ("SIU's") awarded to the named executive officer under the Management Stock Incentive Plan ("MSIP") based on the closing price of a DPL Inc. common share on the New York Stock Exchange--Consolidated Transactions Tape on the date of award. For the plan years '97-99 and '98-00, the SIU's may be earned only to the extent that the DPL Inc. average return on equity ("ROE") over a three-year performance period is above the RRA industry median. For the '99-01 plan, SIU's may be earned only to the extent the DPL Inc. average ROE and total return to shareholders ("TRS") over a three-year performance period is above the RRA industry median. The weighting of the two factors is 65% ROE and 35% TRS.

Depending on the performance of DPL Inc., these SIU's may be earned in amounts ranging from 0% to 100% of the target award at an ROE between 0 and 100 basis points above median ROE and from 100% to 150% of target award at an ROE between 100 and 200 basis points above median ROE. For plan years '99-01, SIU's are earned based on both ROE, as previously stated, and TRS in amounts ranging from 0-100% of the target award at a TRS between the 50th and 80th percentile and from 100-200% of the target award at a TRS between the 80th and 100th percentile.

Units may be earned only if the three-year average ROE is above 10% for incentive award years '97-99 and '98-00 and if the TRS exceeds the return on a three-year treasury security for plan years '99-01. Amounts shown for 1996, 1997 and 1998 reflect target awards. For each SIU which vests, a participant receives the cash equivalent of one DPL Inc. common share plus dividend equivalents from the date of award. Prior to payout at retirement, an individual may elect to convert a portion of vested SIU's to a cash equivalent and accrue interest thereon. All payouts of vested SIU's under the MSIP are deferred until retirement.

- (3) Amounts in this column represent employer matching contributions on behalf of each named executive under the DP&L Employee Savings Plan made to the DPL Inc. Employee Stock Ownership Plan.
- (4) Annual compensation shown for Mr. Forster for 1997 and 1998 was paid pursuant to an agreement with DPL Inc. and the Company. Long term compensation award opportunities shown for 1996, 1997 and 1998 represent the dollar value of restricted shares awarded to Mr. Forster under the Directors' Stock Plan which are subject to the same earning and vesting criteria generally applicable to SIU's. All other compensation shown for 1998 represents directors fees of \$37,000 and the dollar value of the annual award of 2,700 shares to each non-employee director under the Directors' Stock Plan and for 1997 represents directors fees of \$32,600 and an award of 2,400 shares under the Directors' Stock Plan. See "Information Concerning the Board of Directors and its Committees—Other Matters."

Certain Severance Pay Agreements

DPL Inc. entered into severance pay agreements with each of Messrs. Hill, Koziar and Santo and Mrs. Lansaw providing for the payment of severance benefits in the event that the individual's employment with DPL Inc. or its subsidiaries is terminated under specified circumstances within three years after a change in control of DPL Inc. or the Company (generally, defined as the acquisition of 15% or more of the voting securities or certain mergers

or other business combinations). The agreements entered into between 1987 and 1991 require the individuals to remain with DPL Inc. throughout the period during which any change of control is pending in order to help put in place the best plan for the shareholders. The principal severance benefits under each agreement include payment of the following: (i) the individual's full base salary and accrued benefits through the date of termination and any awards for any completed or partial period under the MICP and the individual's award for the current period under the MICP (or for a completed period if no award for that period has yet been determined) fixed at an amount equal to his average annual award for the preceding three years; (ii) 300% of the sum of the individual's annual base salary at the rate in effect on the date of termination (or, if higher, at the rate in effect as of the time of the change in control) plus the average amount awarded to the individual under the MICP for the three preceding years; (iii) all awarded or earned but unpaid SIU's; and (iv) continuing medical, life, and disability insurance. In the event any payments under these agreements are subject to an excise tax under the Internal Revenue Code of 1986, the payments will be adjusted so that the total payments received on an after-tax basis will equal the amount the individual would have received without imposition of the excise tax. The severance pay agreements are effective for one year but are automatically renewed each year unless DPL Inc. or the participant notifies the other one year in advance of its or his intent not to renew. DPL Inc. has agreed to secure its obligations under the severance pay agreements by transferring required payments to the Master Trust. Mr. Forster's agreement with DPL Inc. and the Company contains similar severance benefits provisions.

Pension Plans

The following table sets forth the estimated total annual benefits payable under the Company retirement income plan and the supplemental executive retirement plan to executive officers at normal retirement date (age 65) based upon years of accredited service and final average annual compensation (including base and incentive compensation) for the three highest years during the last ten:

| Final Average Annual Earnings | Total Annual Retirement Benefits for Years of Accredited Service at Age 65 | | |
|----------------------------------|---|-----------|-------------|
| | 10 Years | 15 Years | 20-30 Years |
| \$ 200,000 | \$ 52,000 | \$ 78,000 | \$ 104,000 |
| 400,000 | 109,000 | 163,500 | 218,000 |
| 600,000 | 166,000 | 249,000 | 332,000 |
| 800,000 | 223,000 | 334,500 | 446,000 |
| 1,000,000 | 280,000 | 420,000 | 560,000 |
| 1,200,000 | 337,000 | 505,500 | 674,000 |
| 1,400,000 | 394,000 | 591,000 | 788,000 |

The years of accredited service for the named executive officers are Mr. Hill -- 29 yrs.; Mr. Koziar -- 29 yrs.; Mrs. Lansaw -- 19 yrs.; and Mr. Santo -- 23 yrs. Years of service under the retirement income plan are capped at 30 years, however, the retirement and supplemental plans, taken together, can provide full benefits after 20 years of accredited service. Benefits are

computed on a straight-life annuity basis, are subject to deduction for Social Security benefits and may be reduced by benefits payable under retirement plans of other employers. For each year an individual retires prior to age 62, benefits under the supplemental plan are reduced by 3% or 21% for early retirement at age 55. Mr. Forster ceased to accrue benefits under the retirement and supplemental plans effective as of December 31, 1996 upon his retirement as an employee of DPL Inc. and the Company.

Item 12 - Security Ownership Of Certain Beneficial Owners And Management

The Company's stock is beneficially owned by DPL Inc.

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each director of the Company as of January 31, 1999.

| <u>Name of Director</u> | <u>Amount and Nature of Beneficial Ownership (1)</u> |
|-------------------------|--|
| Thomas J. Danis | 39,871 shares |
| James F. Dicke, II | 96,220 shares |
| Peter H. Forster | 350,537 shares (2) |
| Ernie Green | 38,597 shares |
| Jane G. Haley | 56,172 shares |
| Allen M. Hill | 233,571 shares (3) |
| W August Hillenbrand | 24,334 shares |
| David R. Holmes | 14,262 shares |
| Burnell R. Roberts | 40,341 shares |

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each executive officer of the Company named in the Summary Compensation Table (other than executive officers who are directors of the Company whose security ownership is found above) as of January 31, 1999.

| <u>Name of Executive Officer</u> | <u>Amount and Nature of Beneficial Ownership (1)</u> |
|----------------------------------|--|
| Stephen F. Koziar | 14,655 shares |
| H. Ted Santo | 3,932 shares |
| Judy W. Lansaw | 3,704 shares |

- (1) The number of shares shown represents in each instance less than 1% of the outstanding Common Shares of DPL Inc.

There were 938,067 shares or 0.58% of the total number of Common Shares beneficially owned by all directors and executive officers of DPL Inc. and the Company as a group at January 31, 1999. The number of shares shown includes Common Shares transferred to the Master Trust for non-employee directors pursuant to the Directors' Deferred Stock Compensation Plan.

- (2) The number of shares shown for Mr. Forster includes 40,537 Common Shares and 310,000 restricted share equivalents with no voting rights.
- (3) The number of shares shown for Mr. Hill includes 33,571 Common Shares and 200,000 restricted share equivalents with no voting rights.

Item 13 - Certain Relationships And Related Transactions

None.

PART IV**Item 14 - Exhibits, Financial Statement Schedule And Reports On Form 8-K**

(a) Documents filed as part of the Form 10-K

1. Financial Statements

See Item 8 - Index to Financial Statements on page II-8, which page is incorporated herein by reference.

2. Financial Statement Schedule

For the three years in the period ended December 31, 1998:

| | <u>Page No.</u> |
|---|-----------------|
| Schedule II - Valuation and qualifying accounts | IV-7 |

The information required to be submitted in Schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The following exhibits have been filed with the Securities and Exchange Commission and are incorporated herein by reference.

| | | Incorporation by Reference |
|------|---|--|
| 2 | Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and the Company dated January 6, 1986..... | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 3(a) | Regulations and By-Laws of the Company..... | Exhibit 2(e) to Registration Statement No. 2-68136 to Form S-16 |
| 3(b) | Copy of Amended Articles of Incorporation of the Company dated January 3, 1991..... | Exhibit 3(b) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 4(a) | Copy of Composite Indenture dated as of October 1, 1935, between the Company and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture..... | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) | Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) | Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) | Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) | Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between the Company and The Bank of New York, Trustee..... | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |

| | | |
|-------|---|---|
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between the Company and The Bank of New York, Trustee..... | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between the Company and The Bank of New York, Trustee..... | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 10(a) | Description of Management Incentive Compensation Program for Certain Executive Officers..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 10(b) | Copy of Severance Pay Agreement with Certain Executive Officers..... | Exhibit 10(g) to Report on Form 10-K for the year ended December 31, 1987 (File No. 1-2385) |

| | | |
|-------|--|---|
| 10(c) | Copy of Supplemental Executive Retirement Plan amended August 6, 1991..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 10(d) | Amended description of Directors' Deferred Stock Compensation Plan effective January 1, 1993..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(e) | Amended description of Deferred Compensation Plan for Non-Employee Directors effective January 1, 1993..... | Exhibit 10(e) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(f) | Copy of Management Stock Incentive Plan amended January 1, 1993..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP..... | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1988 (File No. 1-2385) |

The following exhibits are filed herewith:

| | <u>Page No.</u> |
|------|---|
| 4(m) | Copy of the Forty-First Supplemental Indenture dated as of February 1, 1999, between the Company and the Bank of New York, Trustee..... |
| 21 | Copy of List of Subsidiaries of the Company..... |

(b) Reports on Form 8-K

None.

000457

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAYTON POWER AND LIGHT COMPANY

Registrant

March 30, 1999

/s/ Allen M. Hill

Allen M. Hill

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|---|---|----------------|
| <u>/s/ Paul R. Anderson</u> (P. R. Anderson) | Controller (principal accounting officer) | March 30, 1999 |
| <u>(T. J. Danis)</u> | Director | March , 1999 |
| <u>(J. F. Dicke, II)</u> | Director | March , 1999 |
| <u>/s/ Peter H. Forster</u> (P. H. Forster) | Director and Chairman | March 30, 1999 |
| <u>(E. Green)</u> | Director | March , 1999 |
| <u>/s/ Jane G. Haley</u> (J. G. Haley) | Director | March 30, 1999 |

| | | |
|--|--|----------------|
| <u>/s/ Allen M. Hill</u> (A. M. Hill) | Director, President and Chief Executive Officer | March 30, 1999 |
| <u>(W A. Hillenbrand)</u> | Director | March , 1999 |
| <u>/s/ David R. Holmes</u> (D. R. Holmes) | Director | March 30, 1999 |
| <u>/s/ Burnell R. Roberts</u> (B. R. Roberts) | Director | March 30, 1999 |
| <u>/s/ James P. Torgerson</u> (J. P. Torgerson) | Vice President, CFO and Treasurer (principal financial officer) | March 30, 1999 |

**THE DAYTON POWER AND LIGHT COMPANY
VALUATION AND QUALIFYING ACCOUNTS**

For the years ended December 31, 1998, 1997 and 1996

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | |
|---|--------------------------------------|-------------------------|----------|-------------------|--------------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| -----thousands----- | | | | | |
| 1998: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,657 | \$ 8,182 | \$ - | \$ 8,182 | \$ 4,657 |
| 1997: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 5,083 | \$ 5,515 | \$ - | \$ 5,941 | \$ 4,657 |
| 1996: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 6,481 | \$ 4,056 | \$ - | \$ 5,454 | \$ 5,083 |

(1) Amounts written off, net of recoveries of accounts previously written off.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(☒) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 1997**

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2385

THE DAYTON POWER AND LIGHT COMPANY

(Exact name of registrant as specified in its charter)

OHIO

*(State or other jurisdiction of
incorporation or organization)*

Courthouse Plaza Southwest, Dayton, Ohio

(Address of principal executive offices)

31-0258470

(I.R.S. Employer Identification No.)

45402

(Zip Code)

Registrant's telephone number, including area code: **937-224-6000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Number of shares of registrant's common stock outstanding as of February 27, 1998, all of which were held by DPL Inc., was 41,172,173.

PART I**Item 1 - Business***

THE COMPANY

The Dayton Power and Light Company (the "Company") is a public utility incorporated under the laws of Ohio in 1911. Located in West Central Ohio, it furnishes electric service to 485,000 retail customers in a 24 county service area of approximately 6,000 square miles and furnishes natural gas service to 301,000 customers in 16 counties. The Company serves an estimated population of 1.3 million. Principal industries served include electrical machinery, automotive and other transportation equipment, non-electrical machinery, agriculture, paper, and rubber and plastic products. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area. In 1997, a 3% decline in electric residential sales resulted in slightly lower revenue, which offset a 3% increase in sales to business customers and higher sales to other public utilities. Gas utility revenues increased 2% in 1997. Sales increases of 3% from higher deliveries to business customers offset the effects of milder weather. During 1997, cooling degree days were 23% below the twenty year average and 15% below 1996. Heating degree days in 1997 were 3% above the thirty year average and 4% below 1996. Sales patterns will change in future years as weather and the economy fluctuate. The Company employed 2,592 persons as of December 31, 1997, of which 2,164 are full-time employees and 428 are part-time employees.

All of the outstanding shares of common stock of the Company are held by DPL Inc., which became the Company's corporate parent, effective April 21, 1986. Subsidiaries of the Company include MacGregor Park, Inc., an owner and developer of real estate and Miami Valley Equipment, Inc., which owns retail sales and transportation equipment and provides support services to DPL Inc. and its subsidiaries.

The Company's principal executive and business office is located at Courthouse Plaza Southwest, Dayton, Ohio 45402 - telephone (937) 224-6000.

Information relating to industry segments is contained in Item 8 - Note 12 of Notes to Consolidated Financial Statements on Page II-24 of this document, which Note is incorporated herein by reference.

* Unless otherwise indicated, the information given in "Item 1 - BUSINESS" is current as of March 27, 1998. No representation is made that there have not been subsequent changes to such information.

COMPETITION

The Company competes with privately and municipally owned electric utilities and rural electric cooperatives, natural gas suppliers and other alternate fuel suppliers. The Company competes on the basis of price and service.

Like other utilities, the Company from time to time may have electric generating capacity available for sale to other utilities. The Company competes with other utilities to sell electricity provided by such capacity. The ability of the Company to sell this electricity will depend on how the Company's price, terms and conditions compare to those of other utilities. In addition, from time to time, the Company makes power purchases from neighboring utilities.

In an increasingly competitive energy environment, cogenerated power may be used by customers to meet their own power needs. Cogeneration is the dual use of a form of energy, typically steam, for an industrial process and for the generation of electricity. The Public Utilities Regulatory Policies Act of 1978 ("PURPA") provides regulations that govern the purchase of excess electric energy from cogeneration and small power production facilities that have obtained qualifying status under PURPA.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

The Company provides transmission and other wholesale electric service to 12 municipal customers which distribute electricity within their corporate limits. In 1994, 11 of these municipal customers signed new 20-year service agreements which were approved by the Federal Energy Regulatory Commission ("FERC"), in June 1995. The twelfth municipal customer signed a 20-year agreement, approved by FERC in February 1995, that allows the Company to supply 97% of its power requirements. In addition to these municipal customers, the Company maintains an interconnection agreement with one municipality which has the capability to generate all or a portion of its energy requirements. Sales to municipalities represented 1.2% of total electricity sales in 1997.

In October 1994, the Public Utilities Commission of Ohio ("PUCO") initiated roundtable discussions on the introduction of competition in the electric industry. The "Electric Competition Series" is a result of the Ohio Energy Strategy issued in April 1994. To date, roundtable discussions have focused largely on short-term initiatives that are possible under the current regulatory framework. On February 15, 1996, the PUCO issued guidelines for interruptible service, including services that accommodate the attainment and delivery of replacement electricity during periods when the utility

faces constraints on its own resources. On April 11, 1996, the PUCO issued an Entry on Rehearing ordering utilities to file interruptible electric service tariffs. On June 14, 1996, the Company filed for approval of a non-firm electric service rate schedule and replacement power rate riders. The Company's interruptible electric service tariffs were approved on May 1, 1997, and tariffs conforming to this order were subsequently filed with the PUCO on May 15, 1997.

On February 27, 1997, after rehearing its earlier order on the subject, the PUCO issued guidelines for the implementation of conjunctive electric service. These guidelines require all electric utilities to file tariffs under which different service locations are aggregated for cost-of-service, rate design, rate negotiation and billing purposes.

In January 1997, plans were announced to create a 12 member Joint Committee of the Ohio Senate and House of Representatives to explore and possibly draft retail wheeling legislation. The Committee has conducted hearings to gather information from energy companies, regulators, customers and industry experts. The Committee co-chairs issued a draft report on January 6, 1998 recommending opening the electric generation market, in the future, to competition for all Ohio consumers. As part of this restructuring effort in 1998 and beyond, legislators are also studying related complex tax issues that must be resolved. Other legislative proposals at the federal level are pending concerning wholesale and retail wheeling which are designed to increase competition.

On April 24, 1996, FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. In August 1997, the Company refiled its open-access transmission tariff in compliance with FERC orders. In December 1997, the Company reached an agreement in principle with intervenors in a pending tariff case and filed a subsequent tariff case based on an updated test year.

On September 30, 1996, FERC conditionally accepted the Company's market-based sales tariff which will allow the Company to sell wholesale generation supply at prices that reflect current market prices. At the same time, FERC approved the application and authorization of DPL Energy Inc., a wholly-owned subsidiary of DPL Inc., to sell and broker wholesale electric power and also charge market-based prices for such power.

General deregulation of the natural gas industry has continued to prompt the influence of market competition as the driving force behind natural gas procurement. The evolution of an efficient natural gas spot market in combination with open-access interstate transportation pipelines has provided the Company, as well as its end-use customers, with an array of procurement options. Customers with alternate fuel capability can continue to choose between natural gas and their alternate fuel based upon overall performance and economics. Therefore, demand for natural gas purchased from the Company or purchased elsewhere and transported to the end-use customer by the Company could fluctuate based on the economics of each in comparison with changes in alternate fuel prices. For the Company, price competition and reliability among both natural gas suppliers and interstate pipeline sources are major factors affecting procurement decisions.

CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY

Construction Program

Construction additions were \$109 million, \$124 million, and \$79 million in 1997, 1996 and 1995 respectively. The capital program for 1998 consists of construction costs of approximately \$100 million, which includes an 82 MW combustion turbine unit.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. The Company's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost and adequate and timely rate recovery.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings which may change the level of future construction additions. The potential impact of these events on the Company's operations cannot be estimated at this time.

Financing Program

At year-end 1997, cash and temporary cash investments were \$12 million, and debt and equity financial assets were \$111 million. Cash and financial assets are held with a view towards investing in future opportunities in the industry.

In December 1997, the Company redeemed a series of first mortgage bonds in the principal amount of \$40 million with an interest rate of 8.0%. The bonds had been scheduled to mature in 2003. Another series of first mortgage bonds in the principal amount of \$40 million matured in 1997. In December 1996, the Company redeemed a series of first mortgage bonds in the principal amount of \$25 million with an interest rate of 6.75%. The bonds had been scheduled to mature in 1998. Sinking fund payments for the five years ended 2002 are \$2 million.

In September 1995, a new series of Air Quality Development Revenue Refunding Bonds was issued in principal amount of \$110 million with an interest rate of 6.1%. Proceeds from the financing were used to redeem a similar principal amount of First Mortgage Bonds with an interest rate of 9.5%.

In November 1989, DPL Inc. entered into a revolving credit agreement ("the Credit Agreement") with a consortium of banks renewable through 2001 which allows total borrowings by DPL Inc. and its subsidiaries of \$200 million. The Company has authority from the PUCO to issue short-term debt up to \$200 million with a maximum debt limit of \$300 million including loans from DPL Inc. under the terms of the Credit Agreement. At year-end 1997, DPL Inc. had \$36 million outstanding under this Credit Agreement. The Company also has \$97 million available in short-term lines of credit. At year-end 1997, the Company had \$10 million outstanding from these lines of credit and \$70 million in commercial paper outstanding.

Under the Company's First and Refunding Mortgage, First Mortgage Bonds may be issued on the basis of (i) 60% of unfunded property additions, subject to net earnings, as defined, being at least two times interest on all First Mortgage Bonds outstanding and to be outstanding, and (ii) 100% of retired First Mortgage Bonds. The Company anticipates that it will be able to issue sufficient First Mortgage Bonds to satisfy its long-term debt requirements in connection with the financing of its construction and refunding programs discussed above.

The maximum amount of First Mortgage Bonds which may be issued in the future will fluctuate depending upon interest rates, the amounts of bondable property additions, earnings and retired First Mortgage Bonds. There are no coverage tests for the issuance of preferred stock under the Company's Amended Articles of Incorporation.

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ELECTRIC OPERATIONS AND FUEL SUPPLY

The Company's present winter generating capability is 3,264,000 KW. Of this capability, 2,843,000 KW (approximately 87%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 88% (2,491,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Under the agreements among the companies, each company owns a specified undivided share of each facility, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by the Company. The Company's all time net peak load was 2,961,000 KW, which occurred in August 1995. The present summer generating capability is 3,194,000 KW.

GENERATING FACILITIES

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-----------------|-------|
| | | | | Company Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 371 | 371 |
| Killen | C | Company | Wrightsville, OH | 418 | 624 |
| Stuart | C | Company | Aberdeen, OH | 823 | 2,350 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miami Fort-Units 7 &8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | Company | Miamisburg, OH | 32 | 32 |
| Yankee Street | W | Company | Centerville, OH | 144 | 144 |
| Monument | W | Company | Dayton, OH | 12 | 12 |
| Tait | W | Company | Dayton, OH | 10 | 10 |
| Sidney | W | Company | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | Company | Moraine, OH | 95 | 95 |
| Tait Gas Turbine 2 | W | Company | Moraine, OH | 97 | 97 |

*W = Wholly Owned

C = Commonly Owned

In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. The Company has several interconnections with other companies for the purchase, sale and interchange of electricity.

The Company derived over 99% of its electric output from coal-fired units in 1997. The remainder was derived from units burning oil or natural gas which were used to meet peak demands.

The Company estimates that approximately 65-85% of its coal requirements for the period 1998-2002 will be obtained through long-term contracts, with the balance to be obtained by spot market purchases. The Company has been informed by CG&E and CSP through the procurement plans for the commonly owned units operated by them that sufficient coal supplies will be available during the same planning horizon.

The prices to be paid by the Company under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kWh generated of all fuel burned for electric generation (coal, gas and oil) for the year was 1.31¢ which represents an increase from 1.29¢ in 1996 and a decrease from 1.36¢ in 1995. Through the operation of a fuel cost adjustment clause applicable to electric sales, the increases and decreases in fuel costs are reflected in customer rates on a timely basis. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

The Company has long-term firm pipeline transportation agreements with ANR Gas Pipeline Company ("ANR"), Texas Gas Transmission Corporation ("Texas Gas"), Panhandle Eastern Pipe Line Company ("Panhandle"), Columbia Gas Transmission Corporation ("Columbia") and Columbia Gulf Transmission Corporation for varying terms, up to late 2004. Along with firm transportation services, the Company has approximately 16 billion cubic feet of firm storage service with various pipelines. The Company also maintains and operates four propane-air plants with a daily rated capacity of approximately 70,000 thousand cubic feet ("MCF") of natural gas.

In addition, the Company is interconnected with CNG Transmission Corporation. Interconnections with interstate pipelines provide the Company the opportunity to purchase competitively-priced natural gas supplies and pipeline services. The Company purchases its natural gas supplies using a portfolio approach that minimizes price risks and ensures sufficient firm supplies at peak demand times. The portfolio consists of long-term, short-term and spot supply agreements. In 1997, firm agreements provided approximately 50% of total supply, with the remaining supplies purchased on a spot/short-term basis.

In 1997, the Company purchased natural gas at an average price of \$3.45 per MCF, compared to \$3.45 per MCF in 1996 and \$2.79 per MCF in 1995. Through the operation of a natural gas cost adjustment clause applicable to gas sales, increases and decreases in the Company's natural gas costs are reflected in customer rates on a timely basis. SEE RATE REGULATION AND GOVERNMENT LEGISLATION.

The PUCO supports open access, nondiscriminatory transportation of natural gas by the state's local distribution companies for end-use customers. The PUCO has guidelines to provide a standardized structure for end-use transportation programs which requires a tariff providing the prices, terms and conditions for such service. The Company has an approved tariff and provides transportation service to approximately 300 end-use customers, delivering a total quantity of nearly 17,000,000 MCF per year.

RATE REGULATION AND GOVERNMENT LEGISLATION

The Company's sales of electricity and natural gas to retail customers are subject to rate regulation by the PUCO and various municipalities. The Company's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

The Company's electric and natural gas rate schedules contain certain recovery and adjustment clauses subject to periodic audits by, and proceedings before, the PUCO. Electric fuel and gas costs are expensed as recovered through rates.

On June 18, 1996, Governor Voinovich signed into law House Bill 476 which allows for alternate natural gas rate plans and exemption from PUCO jurisdiction for some gas services, and establishes a code of conduct for natural gas distribution companies. Final rules were issued on March 12, 1997.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL Inc. The legislation extends the PUCO's supervisory powers to a holding company system's general condition and capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service. Additionally, the legislation (i) requires PUCO approval of certain transactions and transfers of assets between public utilities and entities within the same holding company system, and (ii) prohibits investments by a holding company in subsidiaries which are not public utilities in an amount in excess of 15% of the aggregate capitalization of the holding company on a consolidated basis at the time such investments are made.

Regulatory assets recorded during the phase-in of electric rates are being amortized and recovered in current rates. In addition, deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$2.8 million per year over the projected life of the asset.

A 1992 PUCO-approved settlement agreement and a subsequent stipulation in 1995 allowed accelerated recovery of demand-side management ("DSM") costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose.

Regulatory deferrals on the balance sheet were:

| | Dec. 31 1997 | Dec. 31 1996 |
|---|--------------------------|-----------------|
| | <hr/> --millions-- <hr/> | |
| Phase-in | \$ 30.6 | \$ 46.7 |
| DSM | 33.6 | 35.3 |
| Deferred interest - Zimmer | 52.5 | 55.3 |
| Income taxes recoverable through future revenues | <u>208.2</u> | <u>222.4</u> |
| Total | <u>\$324.9</u> | <u>\$359.7</u> |

In 1989 the PUCO approved rules for the implementation of a comprehensive Integrated Resource Planning ("IRP") program for all investor-owned electric utilities in Ohio. Under this program, each utility is required to file an IRP as part of its Long Term Forecast Report ("LTFR"). The IRP requires each utility to evaluate available demand-side resource options in addition to supply-side options to determine the most cost-

effective means for satisfying customer requirements. The rules currently allow a utility to apply for deferred recovery of DSM program expenditures and lost revenues between LTFR proceedings. Ultimate recovery of expenditures is contingent on review and approval of such programs as cost-effective and consistent with the most recent IRP proceeding. The rules also allow utilities to submit alternative proposals for the recovery of DSM programs and related costs.

The Company has in place a percentage of income payment plan ("PIPP") for eligible low-income households as required by the PUCO. This plan prohibits disconnections for nonpayment of customer bills if eligible low-income households pay a specified percentage of their household income toward their utility bill. The PUCO has approved a surcharge by way of a temporary base rate tariff rider which allows companies to recover arrearages accumulated under PIPP.

The Company initiated a competitive bidding process in January 1993 for the construction of electric peaking capacity and energy by 1997. Through an Ohio Power Siting Board ("OPSB") investigative process, the Company's self-built option was evaluated to be the least cost option. On March 7, 1994, the OPSB approved the Company's applications for up to three combustion turbines and two natural gas supply lines for the proposed site.

On June 1, 1997 and September 15, 1997, respectively, the Company filed its natural gas and electric LTFR with the PUCO. An IRP filed as part of the electric LTFR included plans for the construction of a series of 82 MW combustion turbine generating units. The first combustion turbine began operation on June 1, 1995, a second unit began operation on December 23, 1996 and a third unit is currently under construction.

On January 25, 1996, Governor Voinovich reappointed Chairman Craig A. Glazer to the PUCO for a five year term which commenced on April 11, 1996 and will extend until April 10, 2001.

On February 7, 1997, Governor Voinovich appointed Judith A. Jones, a Toledo City Councilwoman, to the PUCO replacing Richard Fanelly. Her five year term commenced April 11, 1997 and will extend until April 10, 2002.

On October 15, 1997 PUCO Commissioner David Johnson announced his resignation effective November 30, 1997. Commissioner Johnson was serving a term that would have expired in April 1998. On January 27, 1998, Governor Voinovich appointed Donald L. Mason, a senior management official with the Ohio Department of Natural Resources, to replace Commissioner Johnson. His five year term will expire on April 10, 2003.

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company, including the commonly owned facilities operated by the Company, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The Company expended \$5 million for environmental control facilities during 1997. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY.

Air Quality

The Clean Air Act Amendments of 1990 (the "Act") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The Act restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements will become effective on January 1, 2000. Compliance by the Company has not caused any material changes in the Company's costs or operations.

The Company's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993. Phase I requirements are being met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the Act were approximately \$5.5 million. Phase II requirements can be met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units. Overall compliance is projected to have a minimal 1% to 2% approximate price impact. Costs to comply with the Act are eligible for recovery in fuel hearings and other regulatory proceedings.

Land Use

The Company and numerous other parties have been notified by the United States Environmental Protection Agency ("U.S. EPA") or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRPs") for clean-up at four superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio; the United Scrap Lead Site in Miami County, Ohio; the Powell Road Landfill in Huber Heights, Montgomery County, Ohio; and the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio.

The Company received notification from the U.S. EPA in July 1987 for the Cardington Road site. The Company has not joined the PRP group formed at that site because of the absence of any known evidence that the Company contributed hazardous substances to this site. The Record of Decision issued by the U.S. EPA identifies the chosen clean-up alternative at a cost estimate of \$8.1 million. This final resolution will not have a material effect on the Company's financial position, earnings or cashflow.

The Company received notification from the U.S. EPA in September 1987 for the United Scrap Lead Site. The Company has joined a PRP group for this site, which is actively conferring with the U.S. EPA. The initial Record of Decision issued by the U.S. EPA estimating clean-up costs at \$27.1 million was later amended to reflect an estimate of clean-up costs at \$32 million. The Company is one of over 200 parties to this site, and its estimated contribution to the site is less than .01%. Nearly 60 PRPs are actively working to settle the case. The Company participated in the sponsorship of a study to evaluate alternatives to the U.S. EPA's clean-up plan. The U.S. EPA recently approved a proposal for a less expensive clean-up method for the entire site. This new clean-up is anticipated to have a total cost of \$5.2 million. The final resolution will not have a material effect on the Company's financial position, earnings or cashflow.

The Company and numerous other parties received notification from the U.S. EPA on May 21, 1993 that it considers them PRPs for clean-up of hazardous substances at the Powell Road Landfill Site in Huber Heights, Ohio. The Company has joined the PRP group for the site. On October 1, 1993, the U.S. EPA issued its Record of Decision identifying a cost estimate of \$20.5 million for the chosen remedy. The Company is one of over 200 PRPs to this site, and its estimated contribution is less than 1%. In late January 1998, the U.S. EPA approved a settlement that included the Company. Through the settlement, the Company resolved its potential liability with no resulting material impact.

The Company and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRPs for clean-up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. The Company has not joined the PRP group formed for the site because the available information does not demonstrate that the Company contributed wastes to the site. The final resolution will not have a material effect on the Company's financial position, earnings or cashflow.

THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
ELECTRIC OPERATIONS

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| | Years Ended December 31 | | |
|--|--------------------------------|---------------------------|---------------------------|
| | 1997 | 1996 | 1995 |
| Electric Output (millions of kWh) | | | |
| General - | | | |
| Coal-fired units | 16,246 | 16,142 | 15,679 |
| Other units | 52 | 21 | 29 |
| Power purchases | 1,239 | 1,098 | 2,115 |
| Exchanged and transmitted power | - | (1) | 1 |
| Company use and line losses | <u>(928)</u> | <u>(946)</u> | <u>(1,010)</u> |
| Total | <u>16,609</u> | <u>16,314</u> | <u>16,814</u> |
| Electric Sales (millions of kWh) | | | |
| Residential | 4,788 | 4,924 | 4,871 |
| Commercial | 3,408 | 3,407 | 3,425 |
| Industrial | 4,749 | 4,540 | 4,401 |
| Public authorities and railroads | 1,330 | 1,392 | 1,378 |
| Private utilities and wholesale | <u>2,334</u> | <u>2,051</u> | <u>2,739</u> |
| Total | <u>16,609</u> | <u>16,314</u> | <u>16,814</u> |
| Electric Customers at End of Period | | | |
| Residential | 433,563 | 428,973 | 425,347 |
| Commercial | 43,923 | 43,381 | 42,582 |
| Industrial | 1,881 | 1,858 | 2,017 |
| Public authorities and railroads | 5,736 | 5,651 | 5,573 |
| Other | <u>42</u> | <u>29</u> | <u>17</u> |
| Total | <u>485,145</u> | <u>479,892</u> | <u>475,536</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$ 409,857 | \$ 422,876 | \$ 422,153 |
| Commercial | 234,206 | 236,598 | 237,799 |
| Industrial | 225,775 | 222,941 | 224,135 |
| Public authorities and railroads | 74,018 | 78,140 | 78,225 |
| Private utilities and wholesale | 53,598 | 43,730 | 57,799 |
| Other | <u>12,523</u> | <u>12,115</u> | <u>9,807</u> |
| Total | <u>\$1,009,977</u> | <u>\$1,016,400</u> | <u>\$1,029,918</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - kWh | 11,120 | 11,537 | 11,518 |
| Revenue | \$ 951.90 | \$ 990.89 | \$ 998.27 |
| Rate per kWh (month of December) | 8.10¢ | 7.91¢ | 8.01¢ |

000474

THE DAYTON POWER AND LIGHT COMPANY
OPERATING STATISTICS
GAS OPERATIONS

| | Years Ended December 31 | | |
|--|--------------------------------|-------------------------|-------------------------|
| | 1997 | 1996 | 1995 |
| Gas Output (thousands of MCF) | | | |
| Direct market purchases | 43,808 | 46,696 | 44,376 |
| Liquefied petroleum gas | 66 | 90 | 18 |
| Company use and unaccounted for | (1,016) | (676) | (1,594) |
| Transportation gas received | <u>19,182</u> | <u>17,587</u> | <u>16,870</u> |
| Total | <u>62,040</u> | <u>63,697</u> | <u>59,670</u> |
| Gas Sales (thousands of MCF) | | | |
| Residential | 29,277 | 31,087 | 29,397 |
| Commercial | 9,567 | 9,424 | 8,307 |
| Industrial | 2,520 | 3,404 | 2,584 |
| Public authorities | 2,153 | 2,829 | 3,006 |
| Transportation gas delivered | <u>18,523</u> | <u>16,953</u> | <u>16,376</u> |
| Total | <u>62,040</u> | <u>63,697</u> | <u>59,670</u> |
| Gas Customers at End of Period | | | |
| Residential | 276,189 | 272,616 | 269,694 |
| Commercial | 22,298 | 22,085 | 21,451 |
| Industrial | 1,396 | 1,331 | 1,574 |
| Public authorities | <u>1,475</u> | <u>1,463</u> | <u>1,423</u> |
| Total | <u>301,358</u> | <u>297,495</u> | <u>294,142</u> |
| Operating Revenues (thousands) | | | |
| Residential | \$160,279 | \$156,709 | \$149,006 |
| Commercial | 48,302 | 44,092 | 39,047 |
| Industrial | 11,867 | 14,110 | 11,447 |
| Public authorities | 10,311 | 12,013 | 12,589 |
| Other | <u>12,948</u> | <u>11,660</u> | <u>9,950</u> |
| Total | <u>\$243,707</u> | <u>\$238,584</u> | <u>\$222,039</u> |
| Residential Statistics (per customer-average) | | | |
| Sales - MCF | 107.0 | 114.8 | 109.8 |
| Revenue | \$ 585.63 | \$ 578.68 | \$ 556.72 |
| Rate per MCF (month of December) | \$ 5.20 | \$ 5.13 | \$ 4.44 |

Item 2 - Properties

Electric

Information relating to the Company's electric properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), CONSTRUCTION AND FINANCING PROGRAM OF THE COMPANY (pages I-4 and I-5), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-6 and I-7) and Item 8 - Notes 2 and 5 of Notes to Consolidated Financial Statements on pages II-15 and II-19, respectively, which pages are incorporated herein by reference.

Gas

Information relating to the Company's gas properties is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), and GAS OPERATIONS AND GAS SUPPLY (pages I-7 and I-8), which pages are incorporated herein by reference.

Other

The Company owns a number of area service buildings located in various operating centers.

Substantially all property and plant of the Company is subject to the lien of the Mortgage securing the Company's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving the Company is contained in Item 1 - BUSINESS, THE COMPANY (page I-1), COMPETITION (Pages I-2 through I-4), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages I-6 and I-7), GAS OPERATIONS AND GAS SUPPLY (pages I-7 and I-8), RATE REGULATION AND GOVERNMENT LEGISLATION (pages I-8 through I-10), ENVIRONMENTAL CONSIDERATIONS (pages I-11 and I-12) and Item 8 - Note 2 of Notes to Consolidated Financial Statements on page II-15, which pages are incorporated herein by reference.

Item 4 - Submission Of Matters To A Vote Of Security Holders

None.

PART II**Item 5 - Market For Registrant's Common Equity And Related Stockholder Matters**

The Company's common stock is held solely by DPL Inc. and as a result is not listed for trading on any stock exchange.

The information required by this item of Form 10-K is set forth in Item 8 - Selected Quarterly Information on page II-25 and the Financial and Statistical Summary on page II-26, which pages are incorporated herein by reference.

The Company's Mortgage restricts the payment of dividends on the Company's Common Stock under certain conditions. In addition, so long as any Preferred Stock is outstanding, the Company's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of the Company available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year end, all earnings reinvested in the business of the Company were available for Common Stock dividends.

The Credit Agreement requires that the aggregate assets of the Company and its subsidiaries constitute not less than 60% of the total consolidated assets of DPL Inc., and that the Company maintain common shareholder's equity (as defined in the Credit Agreement) at least equal to \$550 million.

Item 6 - Selected Financial Data

The information required by this item of Form 10-K is set forth in Item 8 - Financial and Statistical Summary on page II-26, which page is incorporated herein by reference.

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Item 7 -

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The Dayton Power and Light Company

| Performance Highlights | 1997 | 1996 | 1995 |
|---|------------|---------|---------|
| CAPITAL INVESTMENT PERFORMANCE: | | | |
| Capital Structure (millions) | | | |
| Common shareholder's equity | \$ 1,280.8 | 1,217.5 | 1,190.5 |
| Preferred stock | \$ 22.9 | 22.9 | 22.9 |
| Long-term debt | \$ 886.0 | 926.3 | 991.5 |
| Total | \$ 2,189.7 | 2,166.7 | 2,204.9 |
| OPERATING PERFORMANCE: | | | |
| Electric— | | | |
| Sales (millions of kWh) | | | |
| Residential | 4,788 | 4,924 | 4,871 |
| Commercial | 3,408 | 3,407 | 3,425 |
| Industrial | 4,749 | 4,540 | 4,401 |
| Other | 3,664 | 3,443 | 4,117 |
| Total | 16,609 | 16,314 | 16,814 |
| Revenues (millions) | | | |
| Residential | \$ 409.9 | 422.9 | 422.2 |
| Commercial | \$ 234.2 | 236.6 | 237.8 |
| Industrial | \$ 225.8 | 222.9 | 224.1 |
| Other | \$ 140.1 | 134.0 | 145.8 |
| Total | \$ 1,010.0 | 1,016.4 | 1,029.9 |
| Average price per kWh—retail and wholesale customers (calendar year) | ¢ 6.01 | 6.16 | 6.07 |
| Gas— | | | |
| Sales (thousands of MCF) | | | |
| Residential | 29,277 | 31,087 | 29,397 |
| Commercial | 9,567 | 9,424 | 8,307 |
| Industrial | 2,520 | 3,404 | 2,584 |
| Other | 20,676 | 19,782 | 19,382 |
| Total | 62,040 | 63,697 | 59,670 |
| Revenues (millions) | | | |
| Residential | \$ 160.3 | 156.7 | 149.0 |
| Commercial | \$ 48.3 | 44.1 | 39.0 |
| Industrial | \$ 11.9 | 14.1 | 11.4 |
| Other | \$ 23.2 | 23.7 | 22.6 |
| Total | \$ 243.7 | 238.6 | 222.0 |
| Average price per MCF - total (calendar year) | \$ 3.93 | 3.75 | 3.72 |

Results of Operations

The 1997 earnings on common stock are \$171 million compared to \$164 million in 1996 and \$159 million in 1995.

In 1997, a 3% decline in electric residential sales resulted in slightly lower revenue, which offset a 3% increase in sales to business customers and higher sales to other public utilities. Fuel and purchased power expense decreased 3% primarily related to lower fuel costs. In 1996, electric revenues decreased 1% as a result of lower sales to public utilities.

Gas utility revenues increased 2% in 1997. Sales increases of 3% from higher deliveries to business customers offset the effects of milder weather. Gas purchased for resale increased 4% primarily from higher natural gas costs. Gas utility revenues increased 7% resulting in a 9% increase in gas utility purchases in 1996.

Operation and maintenance expense decreased 5% in 1997 from 1996 due to cost containment efforts and lower actuarially-determined benefit expense. Operation and maintenance expense decreased 1% in 1996 from 1995 as a result of reduced electric production and system maintenance, bond redemption costs and lower compensation and benefit expense. These decreases were partially offset by higher insurance and claims costs.

Regulatory assets recorded during the phase-in of electric rates are being amortized and recovered in current rates. In addition, deferred interest charges on the William H. Zimmer Generating Station are being amortized at \$3 million per year over the projected life of the asset.

A 1992 PUCO-approved settlement agreement and a subsequent stipulation in 1995 allowed accelerated recovery of demand-side management costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess is used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess is used for such purpose.

Depreciation and amortization expense increased \$4 million as a result of increased depreciable assets in 1997 and \$7 million in 1996 primarily due to increased depreciable assets and rates.

General taxes increased 3% in 1997 and 4% in 1996 as a result of higher property taxes from additional property.

Interest expense declined \$3 million in 1997 primarily due to the redemption of \$25 million of first mortgage bonds late in 1996 and two series of first mortgage bonds totaling \$80 million in 1997. Interest expense declined \$5 million in 1996 primarily from the September 1995 refinancing of \$110 million of bonds at a lower interest rate.

Credit Ratings

The Company's senior debt credit ratings are as follows:

| | |
|---------------------------|-----|
| Duff & Phelps | AA |
| Moody's Investors Service | Aa3 |
| Standard & Poor's | AA- |

Each rating has been affirmed by its respective rating agency in 1997. Moody's Investors Service upgraded the Company's senior debt credit rating three times from 1992-1995. Duff & Phelps and Standard & Poor's both upgraded the Company's senior debt credit ratings in 1994. The credit ratings are the highest the Company has achieved since 1974, and they are all considered investment grade.

Construction Program and Financing

Construction additions were \$109 million, \$124 million, and \$79 million in 1997, 1996 and 1995, respectively. The capital program for 1998 consists of construction costs of approximately \$100 million, which includes an 82 MW combustion turbine generating unit.

During 1997, total cash provided by operating activities was \$300 million. At year-end 1997, cash and temporary cash investments were \$12 million, and debt and equity financial assets were \$111 million. Cash and financial assets are held with a view towards investing in future opportunities in the industry.

In December 1997, the Company redeemed a series of first mortgage bonds in the principal amount of \$40 million with an interest rate of 8.0%. The bonds had been scheduled to mature in 2003. Another series of first mortgage bonds in the principal amount of \$40 million matured in 1997. In December 1996, the Company redeemed a series of first mortgage bonds in the principal amount of \$25 million with an interest rate of 6.75%. The bonds had been scheduled to mature in 1998. Sinking fund payments for the five years ending 2002 are \$2 million.

In September 1995, a new series of Air Quality Development Revenue Refunding Bonds was issued in the principal amount of \$110 million with an interest rate of 6.1%. Proceeds from the financing were used to redeem a similar principal amount of first mortgage bonds with an interest rate of 9.5%.

Issuance of additional amounts of first mortgage bonds by the Company is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans. DPL Inc. anticipates that it has sufficient capacity to issue the Company first mortgage bonds to satisfy its requirements in connection with its capital program.

In addition, DPL Inc. has a revolving credit agreement, renewable through 2001, which allows total borrowings by DPL Inc. and its subsidiaries of \$200 million. At year-end 1997, DPL Inc. had \$36 million outstanding under this credit agreement.

The Company also has \$97 million available in short-term lines of credit. At year-end 1997, the Company had \$10 million outstanding from these lines of credit and \$70 million in commercial paper outstanding.

Issues and Financial Risks

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond the Company's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules and adverse economic conditions.

Like many companies, DP&L is currently evaluating its computer systems to determine the extent to which modifications are required to prevent problems in the year 2000. Based on this on-going effort, the Company at this time does not anticipate that the year 2000 matter will materially impact its financial position.

The EPA has notified numerous parties, including the Company, that they are considered "Potentially Responsible Parties" for clean-up of four hazardous waste sites in Ohio. The EPA approved a \$20,000 settlement at one site in late January, 1998. The EPA has estimated total costs of \$13 million for its preferred clean up plans at two other sites, and has not established an estimated cost for the fourth site. The final resolution of these investigations will not have a material effect on the Company's financial position, earnings or cash flow.

As a public utility, the Company is subject to processes which determine the rates it charges for energy services. Regulators determine which costs are eligible for recovery in the rate setting process and when the recovery will occur. They also establish the rate of return on utility investments which are valued under Ohio law based on historical costs.

The utility industry is subject to inflationary pressures similar to those experienced by other capital-intensive industries. Because rates for regulated services under existing rules are based on historical costs, cash flows may not cover the total future costs of providing services.

Restructuring of the electric utility industry continued to evolve in 1997. Legislative proposals have been introduced in Congress and in Ohio concerning electric wholesale and retail wheeling which are designed to increase competition. These factors increase the risk that the Company's production plant and/or regulatory assets may not be fully recovered in rates.

Ohio continues to take a studied approach to utility industry restructuring. In 1997, the Ohio legislative leadership established a special Joint Committee to study the restructuring issues. The Committee conducted hearings to gather information from energy companies, regulators, customers and industry experts. The Committee co-chairs issued a draft report in early January 1998 recommending opening the electric generation market, in the future, to competition for all Ohio consumers. As a part of this restructuring effort in 1998 and beyond, legislators are also studying related complex tax issues that must be resolved.

In 1996 and 1997, FERC issued orders creating a more competitive wholesale electric power market. These orders required all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties non-discriminatory transmission service comparable to what the utility provides itself. In its orders, FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. In December, the Company reached an agreement in principle with intervenors in a pending tariff case and filed a subsequent case based on an updated test year.

The PUCO is holding roundtable discussions on competition in the electric industry focused on short-term initiatives under the current regulatory framework. Pursuant to a PUCO order implementing one such initiative, all Ohio electric utilities, including the Company, filed tariffs in 1996 for interruptible electric service that accommodates replacement electricity during periods when the utility faces resource constraints. The Company's tariff was approved in 1997.

As another roundtable initiative, in 1996, the PUCO issued guidelines for conjunctive electric service which required all utilities to file tariffs under which different service locations are aggregated for cost-of-service, rate design, rate eligibility and billing purposes. Although the Company has appealed these guidelines to the Ohio Supreme Court, the Company filed its tariff in 1997.

Ohio legislation in 1996 and PUCO rules in 1997 addressed regulatory reform for the local gas distribution companies. The legislation provides that natural gas commodity services may be exempted from PUCO regulation and that the PUCO may allow alternative ratemaking methodologies in connection with other regulated services.

Income Statement Highlights

| \$ in Millions | 1997 | 1996 | 1995 |
|--|------------|------------|------------|
| Electric utility: | | | |
| Revenues | \$1,010 | \$1,016 | \$1,030 |
| Fuel and purchased power..... | <u>227</u> | <u>234</u> | <u>256</u> |
| Net revenues | 783 | 782 | 774 |
| Gas utility: | | | |
| Revenues | 244 | 239 | 222 |
| Gas purchased for resale..... | <u>151</u> | <u>145</u> | <u>133</u> |
| Net revenues | 93 | 94 | 89 |
| Interest and other income..... | 14 | 9 | 12 |
| Operation and maintenance expense..... | 256 | 270 | 271 |
| Amortization of regulatory assets, net | 17 | 15 | 15 |
| Income taxes | 100 | 98 | 98 |
| Earnings on common stock | 171 | 164 | 159 |

Item 8 - Financial Statements And Supplementary Data

| <u>Index to Consolidated Financial Statements</u> | <u>Page No.</u> |
|--|---------------------|
| Consolidated Statement of Results of Operations for the three years in the period ended December 31, 1997 | II-9 |
| Consolidated Statement of Cash Flows for the three years in the period ended December 31, 1997 | II-10 |
| Consolidated Balance Sheet as of December 31, 1997 and 1996 | II-11 - II-12 |
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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF RESULTS OF OPERATIONS

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|------------------------|------------------------|
| | 1997 | 1996 | 1995 |
| INCOME | | | |
| Utility service revenues-- | | | |
| Electric..... | \$1,010.0 | \$1,016.4 | \$1,029.9 |
| Gas and other | <u>244.4</u> | <u>242.0</u> | <u>227.6</u> |
| Total utility service revenues | 1,254.4 | 1,258.4 | 1,257.5 |
| Other income | <u>13.9</u> | <u>9.3</u> | <u>11.8</u> |
| Total income | <u>1,268.3</u> | <u>1,267.7</u> | <u>1,269.3</u> |
| EXPENSES | | | |
| Fuel and purchased power | 227.9 | 234.9 | 257.5 |
| Gas purchased for resale | 150.7 | 144.8 | 133.2 |
| Operation and maintenance (Note 1) | 255.9 | 269.5 | 271.3 |
| Depreciation and amortization (Note 1) | 125.9 | 122.3 | 115.4 |
| Amortization of regulatory assets, net (Note 2) | 16.8 | 15.3 | 15.4 |
| General taxes | 133.5 | 129.3 | 124.9 |
| Interest expense | <u>86.0</u> | <u>89.1</u> | <u>94.4</u> |
| Total expenses | <u>996.7</u> | <u>1,005.2</u> | <u>1,012.1</u> |
| INCOME BEFORE INCOME TAXES | 271.6 | 262.5 | 257.2 |
| Income taxes (Notes 1 and 3) | <u>99.6</u> | <u>97.7</u> | <u>97.8</u> |
| NET INCOME | 172.0 | 164.8 | 159.4 |
| Preferred dividends (Note 9) | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| EARNINGS ON COMMON STOCK | <u>\$ 171.1</u> | <u>\$ 163.9</u> | <u>\$ 158.5</u> |

See Notes to Consolidated Financial Statements.

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The Dayton Power and Light Company

CONSOLIDATED STATEMENT OF CASH FLOWS

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 1997 | 1996 | 1995 |
| OPERATING ACTIVITIES | | | |
| Cash received from utility customers | \$1,230.3 | \$1,231.2 | \$1,205.9 |
| Other operating cash receipts | 12.0 | 10.7 | 11.0 |
| Cash paid for: | | | |
| Fuel and purchased power | (235.9) | (207.6) | (249.8) |
| Purchased gas | (167.2) | (163.3) | (131.7) |
| Operation and maintenance labor | (81.4) | (85.9) | (87.5) |
| Nonlabor operating expenditures | (153.5) | (194.2) | (164.4) |
| Interest | (85.2) | (87.8) | (92.1) |
| Income taxes | (89.0) | (89.1) | (106.4) |
| Property, excise and payroll taxes | <u>(130.5)</u> | <u>(125.7)</u> | <u>(123.9)</u> |
| Net cash provided by operating activities (Note 11) | 299.6 | 288.3 | 261.1 |
| INVESTING ACTIVITIES | | | |
| Property expenditures | (110.9) | (116.9) | (78.9) |
| Other activities | <u>(48.4)</u> | <u>(50.3)</u> | <u>-</u> |
| Net cash used for investing activities | <u>(159.3)</u> | <u>(167.2)</u> | <u>(78.9)</u> |
| FINANCING ACTIVITIES | | | |
| Dividends paid on common stock | (118.5) | (138.3) | (132.6) |
| Dividends paid on preferred stock | (0.9) | (0.9) | (0.9) |
| Retirement of long-term debt | (81.0) | (25.4) | (126.7) |
| Issuance of short-term debt | 69.8 | 6.5 | - |
| Issuance of long-term debt | <u>-</u> | <u>-</u> | <u>108.8</u> |
| Net cash used for financing activities | <u>(130.6)</u> | <u>(158.1)</u> | <u>(151.4)</u> |
| Cash and temporary cash investments-- | | | |
| Net change | 9.7 | (37.0) | 30.8 |
| Balance at beginning of period | <u>2.1</u> | <u>39.1</u> | <u>8.3</u> |
| Balance at end of period | <u>\$ 11.8</u> | <u>\$ 2.1</u> | <u>\$ 39.1</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

| \$ in millions | At December 31, | |
|---|------------------|------------------|
| | 1997 | 1996 |
| ASSETS | | |
| Property | \$3,587.8 | \$3,493.2 |
| Less-- | | |
| Accumulated depreciation and amortization..... | <u>(1,355.8)</u> | <u>(1,249.4)</u> |
| Net property | <u>2,232.0</u> | <u>2,243.8</u> |
| Current Assets | | |
| Cash and temporary cash investments..... | 11.8 | 2.1 |
| Accounts receivable, less provision for uncollectible accounts of \$4.7 and \$5.1 respectively | 205.8 | 193.4 |
| Inventories, at average cost..... | 87.1 | 75.2 |
| Taxes applicable to subsequent years | 91.9 | 87.3 |
| Other current assets | <u>61.4</u> | <u>54.3</u> |
| Total current assets | <u>458.0</u> | <u>412.3</u> |
| Other Assets | | |
| Financial assets | 111.1 | 56.0 |
| Income taxes recoverable through future revenues (Notes 1 and 2) | 208.2 | 222.4 |
| Regulatory assets (Note 2) | 116.7 | 137.3 |
| Other | <u>200.8</u> | <u>171.4</u> |
| Total other assets | <u>636.8</u> | <u>587.1</u> |
| TOTAL ASSETS | <u>\$3,326.8</u> | <u>\$3,243.2</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company

CONSOLIDATED BALANCE SHEET

(continued)

| \$ in millions | At December 31, | |
|---|-------------------------|-------------------------|
| | 1997 | 1996 |
| CAPITALIZATION AND LIABILITIES | | |
| Capitalization | | |
| Common shareholder's equity—(Note 8) | | |
| Common stock..... | \$ 0.4 | \$ 0.4 |
| Other paid-in capital..... | 739.1 | 738.9 |
| Earnings reinvested in the business..... | <u>541.3</u> | <u>478.2</u> |
| Total common shareholder's equity..... | <u>1,280.8</u> | <u>1,217.5</u> |
| Preferred stock (Note 9) | 22.9 | 22.9 |
| Long-term debt (Note 7) | <u>886.0</u> | <u>926.3</u> |
| Total capitalization | <u>2,189.7</u> | <u>2,166.7</u> |
| Current Liabilities | | |
| Accounts payable | 124.2 | 109.6 |
| Accrued taxes..... | 157.8 | 136.6 |
| Accrued interest..... | 20.7 | 21.6 |
| Current portion of long-term debt..... | 0.4 | 40.4 |
| Short-term debt (Note 6)..... | 81.0 | 11.3 |
| Other | <u>41.9</u> | <u>49.1</u> |
| Total current liabilities..... | <u>426.0</u> | <u>368.6</u> |
| Deferred Credits And Other | | |
| Deferred taxes (Note 3) | 500.5 | 513.2 |
| Unamortized investment tax credit..... | 72.2 | 75.2 |
| Other | <u>138.4</u> | <u>119.5</u> |
| Total deferred credits and other | <u>711.1</u> | <u>707.9</u> |
| TOTAL CAPITALIZATION AND LIABILITIES | <u>\$3,326.8</u> | <u>\$3,243.2</u> |

See Notes to Consolidated Financial Statements.

The Dayton Power and Light Company**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Summary Of Significant Accounting Policies****Principles of Consolidation and Nature of Operations**

The Company is a wholly-owned subsidiary of DPL Inc. The accounts of the Company and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. The consolidated financial statements principally reflect the results of operations and financial condition of the Company. DPL Inc. and its other wholly-owned subsidiaries provide certain administrative services to the Company including leases, equipment, insurance and other services. These costs (in millions) were \$53.5 in 1997, \$52.6 in 1996 and \$26.7 in 1995. The Company is a public utility primarily engaged in the business of selling electric energy and natural gas to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. The majority of the Company's earnings come from electricity and natural gas sales. Earnings from other operations currently do not have a material financial impact on the consolidated results.

Revenues and Fuel

Revenues include amounts charged to customers through fuel and gas recovery clauses, which are adjusted periodically for changes in such costs. Related costs that are recoverable or refundable in future periods are deferred along with the related income tax effects. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

The Company records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of (in millions) \$78.3 in 1997 and \$58.3 in 1996.

Operation and Maintenance

Operation and maintenance expenses include \$0.6 million in 1997 and \$4.7 million in 1995 of redemption premiums and other costs relating to the refinancing of bond issues.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

When a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation. Maintenance costs and replacements of minor items of property are charged to expense.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.5% in 1997 and 1996 and 3.4% in 1995.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. Additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits, previously deferred, are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

The temporary cash investments presented on this Statement consist of liquid investments with an original maturity of three months or less.

Reclassifications

Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions related to future events.

2. Regulatory Matters

The Company applies the provisions of Statement of Financial Accounting Standard (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. This accounting standard provides for the deferral of costs authorized for future recovery by regulators. These costs would be charged to expense without regulatory authorization. Regulatory assets on the Consolidated Balance Sheet include:

| | At December 31, | |
|--|-----------------|----------------|
| | <u>1997</u> | <u>1996</u> |
| | --millions-- | |
| Phase-in (a) | \$ 30.6 | \$ 46.7 |
| DSM (b) | 33.6 | 35.3 |
| Deferred interest (c) | 52.5 | 55.3 |
| Income taxes recoverable through future revenues | <u>208.2</u> | <u>222.4</u> |
| Total | <u>\$324.9</u> | <u>\$359.7</u> |

(a) Amounts deferred during a 1992-1994 electric rate increase phase-in (including carrying charges) are being recovered in current rates.

(b) DSM costs (including carrying charges) from the Company's cost-effective programs are deferred and are being recovered at approximately \$9 million per year.

The 1992 PUCO-approved agreement for the phase-in plan and DSM programs, as updated in 1995, allows accelerated recovery of DSM costs and, thereafter, production plant costs to the extent that the Company return on equity exceeds a baseline 13% (subject to upward adjustment). If the return exceeds the baseline return by one to two percent, one-half of the excess will be used to accelerate recovery of these costs. If the return is greater than two percent over the baseline, the entire excess will be used for such purpose.

(c) Interest charges related to the William H. Zimmer Generating Station which were previously deferred pursuant to PUCO approval are being amortized at \$2.8 million per year over the projected life of the asset.

3. Income Taxes

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 1997 | 1996 | 1995 |
| COMPUTATION OF TAX EXPENSE | | | |
| Federal income tax (a)..... | \$ 95.0 | \$ 91.9 | \$ 90.0 |
| Increases (decreases) in tax from - | | | |
| Regulatory assets..... | 3.6 | 3.3 | 3.3 |
| Depreciation | 11.4 | 10.7 | 10.8 |
| Investment tax credit amortized | (3.0) | (3.0) | (3.0) |
| Other, net | (7.4) | (5.2) | (3.3) |
| Total tax expense | <u>\$ 99.6</u> | <u>\$ 97.7</u> | <u>\$ 97.8</u> |
| COMPONENTS OF TAX EXPENSE | | | |
| Taxes currently payable..... | \$102.4 | \$102.1 | \$ 93.1 |
| Deferred taxes— | | | |
| Regulatory assets..... | (4.0) | (3.5) | (1.7) |
| Liberalized depreciation and amortization..... | 5.3 | 7.2 | 13.9 |
| Fuel and gas costs | 5.5 | 2.5 | (3.1) |
| Other | (6.6) | (6.4) | (2.6) |
| Deferred investment tax credit, net..... | (3.0) | (4.2) | (1.8) |
| Total tax expense | <u>\$ 99.6</u> | <u>\$ 97.7</u> | <u>\$ 97.8</u> |

(a) The statutory rate of 35% applied to pre-tax income.

COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

| \$ in millions | At December 31, | |
|-------------------------------------|------------------|------------------|
| | 1997 | 1996 |
| NON-CURRENT LIABILITIES | | |
| Depreciation/property basis | \$(443.0) | \$(447.9) |
| Income taxes recoverable..... | (72.4) | (77.4) |
| Regulatory assets | (38.6) | (45.8) |
| Investment tax credit..... | 25.3 | 26.3 |
| Other | <u>28.2</u> | <u>31.6</u> |
| Net non-current liability | <u>\$(500.5)</u> | <u>\$(513.2)</u> |
| Net Current Asset (Liability) | <u>\$ (2.7)</u> | <u>\$ 1.7</u> |

4. Pensions And Postretirement Benefits

Pensions

Substantially all Company employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age at retirement and, for salaried employees, their compensation. The plans are funded in amounts actuarially determined to provide for these benefits.

An interest rate of 6.25% was used in developing the amounts in the following tables. Actual returns on plan assets for 1997, 1996 and 1995 were 11.2%, 12.7% and 25.6%, respectively. Increases in compensation levels approximating 5% were used for all years.

The following table presents the components of pension cost (portions of which were capitalized):

| <u>\$ in millions</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> |
|---|-----------------|---------------|---------------|
| Service cost - benefits earned | \$ 6.3 | \$ 6.2 | \$ 6.2 |
| Interest cost | 15.2 | 15.0 | 14.4 |
| Expected return on plan assets of 7.5% in each year | (19.6) | (18.1) | (17.8) |
| Net amortization | <u>(3.0)</u> | <u>(1.1)</u> | <u>(0.9)</u> |
| Net pension cost | <u>\$ (1.1)</u> | <u>\$ 2.0</u> | <u>\$ 1.9</u> |

The following table sets forth the plans' funded status and amounts recorded in Other assets on the Consolidated Balance Sheet at December 31:

| <u>\$ in millions</u> | <u>1997</u> | <u>1996</u> |
|---|----------------|----------------|
| Plan assets at fair value (a) | \$330.2 | \$321.4 |
| Actuarial present value of projected benefit obligation | <u>259.1</u> | <u>255.1</u> |
| Plan assets in excess of projected benefit obligation | 71.1 | 66.3 |
| Unamortized transition obligation | (11.3) | (15.5) |
| Prior service cost | 13.9 | 16.0 |
| Changes in plan assumptions and actuarial gains and losses | <u>(28.3)</u> | <u>(22.5)</u> |
| Net pension assets | <u>\$ 45.4</u> | <u>\$ 44.3</u> |
| Vested benefit obligation | \$203.8 | \$198.6 |
| Accumulated benefit obligation without projected wage increases | \$236.4 | \$237.4 |

(a) Invested in fixed income investments, equities and guaranteed investment contracts. In 1996, equities included \$26.5 million of DPL Inc. common stock.

Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. The unamortized transition obligation associated with these benefits is being amortized over the approximate average remaining life expectancy of the retired employees. Active employees are eligible for life insurance benefits, and this unamortized transition obligation is being amortized over the average remaining service period.

The Company has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust. Actual returns on plan assets were 6.0% and 6.7% in 1997 and 1996, respectively.

The following table presents the components of postretirement benefit cost:

| <u>\$ in millions</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> |
|--|---------------|---------------|--------------|
| Expected return on plan assets of 5.7% | \$(0.8) | \$(0.6) | \$ - |
| Interest cost | 2.2 | 2.5 | 3.6 |
| Net amortization | <u>(1.1)</u> | <u>2.9</u> | <u>2.9</u> |
| Postretirement benefit cost | <u>\$ 0.3</u> | <u>\$ 4.8</u> | <u>\$6.5</u> |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 9% for 1997 and decreases to 5% by 2005. A one percentage point increase in each future year's assumed health care trend rate would increase postretirement benefit cost by \$0.1 million annually and would increase the accumulated postretirement benefit obligation by \$2.3 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 6.25%.

The following table sets forth the accumulated postretirement benefit amounts recorded in Other Deferred Credits on the Consolidated Balance Sheet at December 31:

| <u>\$ in millions</u> | <u>1997</u> | <u>1996</u> |
|---|---------------|---------------|
| Accumulated postretirement benefit obligation: | | |
| -retirees and dependents | \$35.4 | \$40.7 |
| -active employees | <u>1.1</u> | <u>1.1</u> |
| Total | 36.5 | 41.8 |
| Plan assets at fair value (a) | <u>12.1</u> | <u>11.9</u> |
| Projected benefit obligation in excess of plan assets | 24.4 | 29.9 |
| Unamortized transition obligation | (15.9) | (18.9) |
| Actuarial gains and losses | <u>25.5</u> | <u>24.6</u> |
| Accrued postretirement benefit liability | <u>\$34.0</u> | <u>\$35.6</u> |

(a) Invested in fixed income government obligations and money market securities.

5. Commonly Owned Facilities

The Company owns certain electric generating and transmission facilities as tenants in common with other Ohio utilities. Each utility is obligated to pay its ownership share of construction and operation costs of each facility. As of December 31, 1997, the Company had \$1.6 million of commonly owned facilities under construction. The Company's share of expenses is included in the Consolidated Statement of Results of Operations.

The following table presents the Company's share of the commonly owned facilities at December 31, 1997:

| | Company Share | | Company Investment |
|---|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Beckjord Unit 6 | 50.0 | 210 | 55 |
| Cornesville Unit 4 | 16.5 | 129 | 30 |
| East Bend Station | 31.0 | 186 | 150 |
| Killen Station | 67.0 | 418 | 406 |
| Miami Fort Units 7 & 8 | 36.0 | 360 | 119 |
| Stuart Station | 35.0 | 823 | 245 |
| Zimmer Station | 28.1 | 365 | 989 |
| Transmission (at varying percentages) | | | 67 |

6. Notes Payable And Compensating Balances

DPL Inc., the Company's parent, has \$200 million available through a revolving credit agreement. This agreement with a consortium of banks is renewable through 2001. Commitment fees are approximately \$170,000 per year, depending upon the aggregate unused balance of the loan. At December 31, 1997, DPL Inc. had \$36.0 million in borrowings outstanding under this credit agreement.

The Company also has \$96.6 million available in short-term informal lines of credit. To support these lines of credit, the Company is required to maintain average daily compensating balances of approximately \$400,000 and also pay \$87,550 per year in fees. At December 31, 1997, the Company had \$10.0 million in borrowings from these lines of credit.

The Company had \$69.7 million and \$10.0 million in commercial paper outstanding at a weighted average interest rate of 6.0% and 6.75% at December 31, 1997 and 1996, respectively.

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7. Long-Term Debt

| \$ in millions | At December 31, | |
|--|-----------------|----------------|
| | 1997 | 1996 |
| First mortgage bonds maturing: | | |
| 2003 8.00% | \$ - | \$ 40.0 |
| 2022-2026 8.14% (a) | 671.0 | 671.0 |
| Pollution control series maturing through 2027 - 6.43% (a) | <u>107.2</u> | <u>107.6</u> |
| | 778.2 | 818.6 |
| Guarantee of Air Quality Development Obligations | | |
| 6.10% Series Due 2030 | 110.0 | 110.0 |
| Unamortized debt discount and premium (net) | <u>(2.2)</u> | <u>(2.3)</u> |
| Total | <u>\$886.0</u> | <u>\$926.3</u> |

(a) Weighted average interest rates for 1997 and 1996.

The amounts of maturities and mandatory redemptions for first mortgage bonds and notes are \$0.4 million per year in 1998 through 2002. Substantially all property of the Company is subject to the mortgage lien securing the first mortgage bonds.

During 1997, a \$40 million series of first mortgage bonds matured, and another \$40 million series scheduled to mature in 2003 was redeemed.

8. Common Shareholder's Equity

| \$ in millions | Common Stock (a) | | Other Paid-In Capital | Earnings Reinvested in the Business | Total |
|---------------------------------|-----------------------|--------|--------------------------|---|-----------|
| | Outstanding Shares | Amount | | | |
| 1995: | | | | | |
| Beginning Balance..... | 41,172,173 | \$ 0.4 | \$738.5 | \$421.4 | \$1,160.3 |
| Net income..... | | | | 159.4 | 159.4 |
| Common stock dividends..... | | | | (132.6) | (132.6) |
| Preferred stock dividends | | | | (0.9) | (0.9) |
| Other | | | 0.2 | 4.1 | 4.3 |
| Ending balance..... | 41,172,173 | \$ 0.4 | \$738.7 | \$451.4 | \$1,190.5 |
| 1996: | | | | | |
| Net income..... | | | | 164.8 | 164.8 |
| Common stock dividends..... | | | | (138.3) | (138.3) |
| Preferred stock dividends | | | | (0.9) | (0.9) |
| Other | | | 0.2 | 1.2 | 1.4 |
| Ending balance..... | 41,172,173 | \$ 0.4 | \$738.9 | \$478.2 | \$1,217.5 |
| 1997: | | | | | |
| Net income..... | | | | 172.0 | 172.0 |
| Common stock dividends..... | | | | (118.5) | (118.5) |
| Preferred stock dividends | | | | (0.9) | (0.9) |
| Other | | | 0.2 | 10.5 | 10.7 |
| Ending balance..... | 41,172,173 | \$ 0.4 | \$739.1 | \$541.3 | \$1,280.8 |

(a) 50 000,000 shares authorized.

9. Preferred Stock

\$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series | Rate | Current Redemption Price | Current Shares Outstanding | Par Value At December 31, 1997 and 1996 (\$ in millions) |
|--------|-------|--------------------------------|----------------------------------|--|
| A | 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B | 3.75% | \$103.00 | 69,398 | 7.0 |
| C | 3.90% | \$101.00 | <u>65,830</u> | <u>6.6</u> |
| Total | | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of the Company at the per share prices indicated, plus cumulative accrued dividends.

10. Fair Value Of Financial Instruments

| \$ in millions | At December 31, 1997 | | 1996 | |
|------------------------------------|-------------------------|-------|------------|-------|
| | Fair Value | Cost | Fair Value | Cost |
| | \$ | \$ | \$ | \$ |
| Assets (a) | | | | |
| Available for sale securities..... | 165.0 | 133.8 | 90.1 | 75.4 |
| Held to maturity securities..... | 57.5 | 56.7 | 50.9 | 50.7 |
| Liabilities (b) | | | | |
| Debt..... | 1,038.7 | 967.4 | 1,018.6 | 976.7 |

(a) Maturities range from 1998 to 2010.

(b) Includes current maturities.

Financial assets with quoted market prices are carried at market; the remaining financial assets are carried at cost.

11. Reconciliation Of Net Income To Net Cash Provided By Operating Activities

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|----------------|----------------|
| | 1997 | 1996 | 1995 |
| Net income | \$172.0 | \$164.8 | \$159.4 |
| Adjustments: | | | |
| Depreciation and amortization | 125.9 | 122.3 | 115.4 |
| Deferred income taxes | (2.8) | (3.3) | 4.4 |
| Amortization of regulatory assets, net | 16.8 | 15.3 | 15.4 |
| Operating expense provisions | (26.0) | (10.2) | (0.4) |
| Accounts receivable | (12.4) | (48.9) | (44.7) |
| Accounts payable | 16.4 | 10.0 | 21.4 |
| Accrued taxes payable | 21.2 | 20.7 | (7.6) |
| Inventory | (12.0) | 6.5 | 1.7 |
| Other | 0.5 | 11.1 | (3.9) |
| Net cash provided by operating activities | <u>\$299.6</u> | <u>\$288.3</u> | <u>\$261.1</u> |

12. Financial Information By Business Segments

| \$ in millions | For the years ended December 31, | | |
|---|----------------------------------|-------------------|-------------------|
| | 1997 | 1996 | 1995 |
| Utility service revenues | | | |
| Electric | \$ 1,010.0 | \$ 1,016.4 | \$ 1,029.9 |
| Gas | 243.7 | 238.6 | 222.0 |
| Other | 0.7 | 3.4 | 5.6 |
| Total utility service revenues | 1,254.4 | 1,258.4 | 1,257.5 |
| Interest and other income | 13.9 | 9.3 | 11.8 |
| Total income | <u>\$ 1,268.3</u> | <u>\$ 1,267.7</u> | <u>\$ 1,269.3</u> |
| Operating profit before tax | | | |
| Electric | \$ 327.0 | \$ 326.9 | \$ 335.8 |
| Gas | 24.9 | 23.7 | 18.9 |
| Other | (3.5) | (5.7) | (4.4) |
| Total operating profit before tax | 348.4 | 344.9 | 350.3 |
| Other income, net (a) | 9.2 | 6.7 | 1.3 |
| Interest expense | (86.0) | (89.1) | (94.4) |
| Income before income taxes | <u>\$ 271.6</u> | <u>\$ 262.5</u> | <u>\$ 257.2</u> |
| Depreciation and amortization | | | |
| Electric | \$ 118.4 | \$ 112.8 | \$ 108.1 |
| Gas | 7.1 | 6.7 | 6.4 |
| Other | 0.4 | 2.8 | 0.9 |
| Total depreciation and amortization | <u>\$ 125.9</u> | <u>\$ 122.3</u> | <u>\$ 115.4</u> |
| Construction additions | | | |
| Electric | \$ 92.8 | \$ 109.4 | \$ 66.6 |
| Gas | 16.3 | 14.1 | 11.7 |
| Other | - | - | 0.6 |
| Total construction additions | <u>\$ 109.1</u> | <u>\$ 123.5</u> | <u>\$ 78.9</u> |
| Assets | | | |
| Electric | \$ 2,733.6 | \$ 2,754.3 | \$ 2,763.1 |
| Gas | 277.1 | 259.9 | 223.7 |
| Other (b) | 316.1 | 229.0 | 217.5 |
| Total assets at year-end | <u>\$ 3,326.8</u> | <u>\$ 3,243.2</u> | <u>\$ 3,204.3</u> |

(a) Includes primarily investment income less bond redemption costs in 1997 and 1995.

(b) Includes primarily temporary cash investments, debt and equity financial assets and certain deferred items.

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SELECTED QUARTERLY INFORMATION

| \$ in millions | March 31, | | June 30, | | September 30, | | December 31, | |
|----------------------------------|-----------|-------|----------|-------|---------------|-------|--------------|-------|
| | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Utility service revenues | 357.3 | 369.0 | 269.8 | 282.0 | 283.9 | 278.2 | 343.4 | 329.2 |
| Income before income taxes | 94.6 | 101.5 | 51.6 | 54.2 | 73.1 | 67.3 | 52.3 | 39.5 |
| Net income | 62.2 | 62.8 | 33.2 | 33.1 | 44.3 | 41.7 | 32.3 | 27.2 |
| Earnings on common stock | 62.0 | 62.5 | 33.0 | 32.9 | 44.1 | 41.5 | 32.0 | 27.0 |
| Dividends paid | 28.9 | 34.7 | 29.0 | 34.7 | 29.0 | 34.5 | 31.6 | 34.4 |

FINANCIAL AND STATISTICAL SUMMARY

| | | 1997 | 1996 | 1995 | 1994 | 1993 |
|--|----|---------------|---------------|---------------|---------------|---------------|
| For the years ended December 31, | | | | | | |
| Utility service revenues (millions) | \$ | 1,254.4 | 1,258.4 | 1,257.5 | 1,190.3 | 1,153.7 |
| Earnings on common stock (millions) | \$ | 171.1 | 163.9 | 158.5 | 147.7 | 134.9 |
| Earnings per share of common stock | \$ | 4.16 | 3.98 | 3.85 | 3.59 | 3.28 |
| Dividends paid (millions) | \$ | 118.5 | 138.3 | 132.6 | 103.7 | 107.8 |
| Electric sales (millions of kWh)– | | | | | | |
| Residential | | 4,788 | 4,924 | 4,871 | 4,465 | 4,558 |
| Commercial | | 3,408 | 3,407 | 3,425 | 3,068 | 3,006 |
| Industrial | | 4,749 | 4,540 | 4,401 | 4,388 | 4,089 |
| Other | | <u>3,664</u> | <u>3,443</u> | <u>4,117</u> | <u>2,298</u> | <u>3,023</u> |
| Total | | 16,609 | 16,314 | 16,814 | 14,219 | 14,676 |
| Gas sales (thousands of MCF)– | | | | | | |
| Residential | | 29,277 | 31,087 | 29,397 | 27,911 | 28,786 |
| Commercial | | 9,567 | 9,424 | 8,307 | 8,081 | 8,468 |
| Industrial | | 2,520 | 3,404 | 2,584 | 3,150 | 3,056 |
| Other | | 2,153 | 2,829 | 3,006 | 2,909 | 3,171 |
| Transported gas | | <u>18,523</u> | <u>16,953</u> | <u>16,376</u> | <u>15,147</u> | <u>13,401</u> |
| Total | | 62,040 | 63,697 | 59,670 | 57,198 | 56,882 |
| At December 31, | | | | | | |
| Total assets (millions) | \$ | 3,326.8 | 3,243.2 | 3,204.3 | 3,147.0 | 3,211.3 |
| Long-term debt and preferred stock with mandatory redemption provisions (millions) | \$ | 886.0 | 926.3 | 991.5 | 1,003.7 | 1,042.9 |
| First mortgage bond ratings– | | | | | | |
| Duff & Phelps, Inc. | | AA | AA | AA | AA | AA- |
| Standards & Poor's Corporation | | AA- | AA- | AA- | AA- | A |
| Moody's Investors Service | | Aa3 | Aa3 | Aa3 | A1 | A2 |
| Number of Preferred Shareholders | | 625 | 684 | 733 | 795 | 1,873 |

Report of Independent Accountants

To the Board of Directors of The Dayton Power and Light Company

In our opinion, the consolidated financial statements listed in the index, appearing under Item 8 on page II-8 of this Form 10-K, present fairly, in all material respects, the financial position of The Dayton Power and Light Company (the "Company") and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Dayton, Ohio
January 21, 1998

**Report of Independent Accountants
on Financial Statement Schedule**

To the Board of Directors of The Dayton Power and Light Company

Our audits of the consolidated financial statements of The Dayton Power and Light Company and its subsidiaries referred to in our report dated January 21, 1998 appearing on page II-27 of this Annual Report on Form 10-K also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Dayton, Ohio
January 21, 1998

Item 9 - Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

PART III

Item 10 - Directors And Executive Officers Of The Registrant

Directors of the Registrant

The Board is presently authorized to consist of nine directors. These nine directors are also directors of DPL Inc., the holding company of the Company. Nine directors are to be elected this year to serve until the Annual Meeting of Shareholders in 1999 or until their successors are duly elected and qualified. Should any nominee become unable to accept nomination or election, the Board will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee.

The following information regarding the nominees is based on information furnished by them:

| | Director Since |
|--|-------------------|
| THOMAS J. DANIS, Age 48 Chairman and Chief Executive Officer, The Danis Companies, Dayton, Ohio, construction, real estate and environmental services. Director: CSR America Inc. Trustee: Dayton Foundation, Miami Valley Research Park Foundation. | 1989 |
| JAMES F. DICKE, II, Age 52 President, Crown Equipment Corporation, New Bremen, Ohio, international manufacturer and distributor of electric lift trucks and material handling products. Director: Regional Boys and Girls Clubs of America, Dayton Art Institute. Chairman: Trinity University Board of Trustees Secretary: Culver Educational Foundation. | 1990 |

| | Director Since |
|---|-------------------|
| PETER H. FORSTER, Age 55 Chairman, DPL Inc. and The Dayton Power and Light Company. Chairman: Miami Valley Research Foundation. Director: Amcast Industrial Corp., Comair Holdings, Inc. Trustee: F. M. Tait Foundation, Arts Center Foundation. | 1979 |
| ERNIE GREEN, Age 59 President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio, automotive components manufacturer. Director: Pitney Bowes Inc., WPTD-TV, Eaton Corp., Fluor Daniel/GTI, Gradall. | 1991 |
| JANE G. HALEY, Age 67 President and Chief Executive Officer, Gosiger, Inc., Dayton, Ohio, national importer and distributor of machine tools. Director: Ultra-Met Company, Urbana, Ohio, ONA, Dayton, Ohio. Trustee: University of Dayton, Chaminade-Julienne High School, Dayton, Ohio, Miami Valley Economic Development Coalition. Member: Area Progress Council. | 1978 |
| ALLEN M. HILL, Age 52 President and Chief Executive Officer, DPL Inc. and The Dayton Power and Light Company. Director: Citizens Federal Bank, F.S.B. Trustee: Dayton Business Committee, The University of Dayton, Miami Valley Economic Development Coalition, Air Force Museum Foundation, National Center for Composite Systems Technology. | 1989 |

Director
Since

W AUGUST HILLENBRAND, Age 57

1992

President and Chief Executive Officer, Hillenbrand Industries, Batesville, Indiana, a diversified public holding company with five wholly-owned and autonomously operated subsidiaries manufacturing caskets, hospital furniture, hospital supplies, high-tech security locks and providing funeral planning services.

Director: Forecorp, Inc., Forethought Life Insurance Company.

Trustee: Denison University, National Committee for Quality Health Care, Batesville Girl Scouts.

DAVID R. HOLMES, Age 57

1994

Chairman, President and Chief Executive Officer, The Reynolds and Reynolds Company, Dayton, Ohio, information management systems.

Director: NCR Corporation, Dayton, Ohio, Wright Health/Anthem, Dayton, Ohio.

Advisor: J. L. Kellogg Graduate School of Management, Northwestern University.

Member: Dayton Business Committee, Area Progress Council, Downtown Dayton Partnership.

BURNELL R. ROBERTS, Age 70

1987

Chairman, Sweetheart Holdings, Inc.

Retired Chairman of the Board and Chief Executive Officer, The Mead Corporation, Dayton, Ohio, forest products producer.

Director: Armco, Inc., The Perkin-Elmer Corporation, Rayonier, Inc., Universal Protective Plastics, Inc., Day International Group, Inc.

EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 1998)

| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|---------------------|------------|--|---|
| Peter H. Forster | 55 | Chairman Chairman, DPL Inc. Chairman and Chief Executive Officer, DPL Inc. Chairman, President and Chief Executive Officer, DPL Inc. | 4/06/92 - 3/01/98 1/01/97 - 3/01/98 9/26/95 - 1/01/97 4/05/88 - 9/26/95 |
| Allen M. Hill | 52 | President and Chief Executive Officer President and Chief Executive Officer, DPL Inc. President and Chief Operating Officer, DPL Inc. | 4/06/92 - 3/01/98 1/01/97 - 3/01/98 9/26/95 - 1/01/97 |
| Paul R. Anderson | 55 | Controller | 4/12/81 - 3/01/98 |
| Stephen P. Bramlage | 51 | Assistant Vice President Director, Service Operations | 1/01/94 - 3/01/98 10/29/89 - 1/01/94 |
| Jeanne S. Holihan | 41 | Assistant Vice President Treasurer | 3/17/93 - 3/01/98 11/06/90 - 3/17/93 |
| Thomas M. Jenkins | 46 | Group Vice President and Treasurer, DPL Inc. and the Company Group Vice President Group Vice President and Treasurer, DPL Inc. Group Vice President and Treasurer, DPL Inc. and the Company Group Vice President and Treasurer, DPL Inc. Group Vice President | 5/14/96 - 3/01/98 6/27/95 - 5/14/96 5/09/94 - 6/27/95 11/06/90 - 5/09/94 |

**EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 1998)**

| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|------------------------|------------|--|--------------------|
| Stephen F. Koziar, Jr. | 53 | Group Vice President and Secretary, DPL Inc. and the Company | 1/31/95 - 3/01/98 |
| | | Group Vice President, DPL Inc. and the Company | 12/10/87 - 1/31/95 |
| Judy W. Lansaw | 46 | Group Vice President, DPL Inc. and the Company | 1/31/95 - 3/01/98 |
| | | Group Vice President and Secretary, DPL Inc. and the Company | 12/07/93 - 1/31/95 |
| | | Vice President and Secretary, DPL Inc. and the Company | 8/01/89 - 12/07/93 |
| Arthur G. Meyer | 48 | Vice President, Legal and Corporate Affairs | 11/21/97 - 3/01/98 |
| | | Director, Corporate Relations | 5/14/96 - 11/21/97 |
| | | Treasurer | 6/27/95 - 5/14/96 |
| | | Director, Financial Activities | 5/09/94 - 6/27/95 |
| | | Manager, Service Operations | 1/31/94 - 5/09/94 |
| | | Associate General Counsel | 7/13/92 - 1/31/94 |
| Bryce W. Nickel | 41 | Assistant Vice President | 1/01/94 - 3/01/98 |
| | | Director, Service Operations | 10/29/89 - 1/01/94 |
| H. Ted Santo | 47 | Group Vice President | 12/08/92 - 3/01/98 |

Item 11 - Executive Compensation

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive \$12,000 annually for services as a director, \$600 for attendance at a Board meeting, and \$500 for attendance at a committee meeting or operating session of DPL Inc. and the Company. Members of the Executive Committee of DPL Inc. receive \$2,000 annually for services on that committee. Each committee chairman receives an additional \$1,600 annually. Directors who are not employees of the Company also participate in a Directors' Deferred Stock Compensation Plan (the "Stock Plan") under which a number of DPL Inc. common shares are awarded to directors each year. All shares awarded under the Stock Plan are transferred to a grantor trust (the "Master Trust") maintained by DPL Inc. to secure its obligations under various directors' and officers' deferred and incentive compensation plans. Receipt of the shares or cash equal to the value thereof is deferred until the participant retires as a director or until such other time as designated by the participant and approved by the Compensation and Management Review Committee (the "Committee") of DPL Inc. In the event of a change of control (as defined in the Stock Plan), the authority and discretion which is exercisable by the Committee will be exercised by the trustees of the Master Trust. In April 1997, each non-employee director was awarded 1,600 shares.

DPL Inc. maintains a Deferred Compensation Plan (the "Compensation Plan") for non-employee directors of DPL Inc. and the Company in which payment of directors' fees may be deferred. The Compensation Plan also includes a supplementary deferred income program which provides that DPL Inc. will match \$5,000 annually of deferred directors' fees for a maximum of ten years. Under the supplementary program, a \$150,000 death benefit is provided until such director ceases to participate in the Compensation Plan. Under the standard deferred income program directors are entitled to receive a lump sum payment or payments in installments over a period up to 20 years. A director may elect payment in either cash or common shares. Participants in the supplementary program are entitled to receive deferred payments over a ten-year period in equal installments. The Compensation Plan provides that in the event of a change in control of DPL Inc., as defined in the Compensation Plan, all benefits provided under the supplementary deferred income program become immediately vested without the need for further contributions by the participants and the discretion which, under the Compensation Plan, is exercisable by the Chief Executive Officer of DPL Inc. will be exercised by the trustees of the Master Trust. If the consent of the Chief Executive Officer of DPL Inc. is obtained, individuals who have attained the age of 55 and who are no longer directors of DPL Inc. or the Company may receive a lump sum payment of amounts credited to them under the supplementary deferred income program.

Mr. Forster has entered into an agreement with DPL Inc. and the Company pursuant to which Mr. Forster will serve as Chairman of the Board of DPL Inc. and the Company and will provide various advisory and consulting services. The term of the agreement expires on December 31, 1999 (which term is automatically extended on December 31, 1999 and each December 31 thereafter for an additional year unless either party gives advance notice of nonrenewal). Under the agreement, Mr. Forster receives an annual consulting fee of \$500,000 (as well as such bonuses, if any, as may be determined by the Compensation and

Management Review Committee in its discretion) and an award opportunity of 35,000 restricted shares under the Stock Plan. Commencing in 2000, Mr. Forster will participate in a bonus program for individuals monitoring and managing DPL Inc.'s financial assets pursuant to which he will have the opportunity to receive an annual bonus if there is a positive cumulative cash return on such financial assets (after recovery of all amounts invested plus expenses). Payments under the bonus program, if and as earned, will continue following termination of the agreement for any reason. Mr. Forster, who retired as Chief Executive Officer of DPL Inc. effective December 31, 1996, continues to actively perform significant duties and functions for DPL Inc. and its subsidiaries under the agreement.

EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table

Set forth below is certain information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company for the last three fiscal years, for services rendered in all capacities to the Company and its subsidiaries, DPL Inc., and the other subsidiaries of DPL Inc.

| Name and Principal Position | Year | Annual Compensation | | Long-Term Compensation | All Other Compensation (3) |
|---------------------------------------|------|---------------------|----------------|---------------------------------------|----------------------------|
| | | Salary (\$) | Bonus (1) (\$) | Restricted Stock Unit Awards (2) (\$) | |
| Allen M. Hill | 1997 | 430,000 | 258,000 | 834,000 ('98-00) | 1,000 |
| President and Chief Executive Officer | 1996 | 377,000 | 226,000 | 717,000 ('97-99) | 1,000 |
| | 1995 | 363,000 | 226,000 | 319,000 ('96-98) | 1,000 |
| Peter H. Forster (4) | 1997 | 500,000 | 150,000 | 840,000 ('98-00) | 70,400 |
| Chairman | 1996 | 597,000 | 358,000 | 984,000 ('97-99) | 1,000 |
| | 1995 | 572,000 | 344,000 | 784,000 ('96-98) | 1,000 |
| Judy W. Lansaw | 1997 | 240,000 | 108,000 | 411,000 ('98-00) | 1,000 |
| Group Vice President | 1996 | 214,000 | 96,000 | 393,000 ('97-99) | 1,000 |
| | 1995 | 197,000 | 89,000 | 227,000 ('96-98) | 1,000 |
| Stephen F. Koziar, Jr. | 1997 | 231,000 | 104,000 | 234,000 ('98-00) | 1,000 |
| Group Vice President and Secretary | 1996 | 218,000 | 98,000 | 216,000 ('97-99) | 1,000 |
| | 1995 | 209,000 | 94,000 | 141,000 ('96-98) | 1,000 |
| H. Ted Santo | 1997 | 226,000 | 102,000 | 297,000 ('98-00) | 1,000 |
| Group Vice President | 1996 | 205,000 | 92,000 | 305,000 ('97-99) | 1,000 |
| | 1995 | 190,000 | 86,000 | 168,000 ('96-98) | 1,000 |

- (1) Amounts in this column represent awards made under the Management Incentive Compensation Program ("MICP"). Awards are based on achievement of specific predetermined operating and management goals in the year indicated and paid in the year earned or in the following year.
- (2) Amounts shown in this column have not been paid, but are contingent on performance and represent the dollar value of restricted stock incentive units ("SIU's") awarded to the named executive officer under the Management Stock Incentive Plan ("MSIP") based on the closing price of a DPL Inc. common share on the New York Stock Exchange—Consolidated Transactions Tape on the date of award. The SIU's awarded for 1995, 1996 and 1997 vest only to the extent that the DPL Inc. average return on equity ("ROE") over a three-year performance period is above the Regulatory Research Associates industry median.

Depending on the performance of DPL Inc., these SIU's vest in amounts ranging from 0% to 100% of the target award at an ROE between 0 and 100 basis points above median ROE and from 100% to 150% of target award at an ROE between 100 and 200 basis points above median ROE.

No units vest if the three-year average ROE is below 10%. Amounts shown for 1995, 1996 and 1997 reflect target awards. For each SIU which vests, a participant receives the cash equivalent of one DPL Inc. common share plus dividend equivalents from the date of award. Prior to payout at retirement, an individual may elect to convert a portion of vested SIU's to a cash equivalent and accrue interest thereon. All payouts of vested SIU's under the MSIP are deferred until retirement.

- (3) Amounts in this column represent employer matching contributions on behalf of each named executive under the DP&L Employee Savings Plan made to the DPL Inc. Employee Stock Ownership Plan.
- (4) Annual compensation shown for Mr. Forster for 1997 was paid pursuant to an agreement with DPL Inc. and the Company. Long term compensation award opportunities shown for 1996 and 1997 represent the dollar value of restricted shares awarded to Mr. Forster under the Directors' Stock Plan which are subject to the same earning and vesting criteria generally applicable to SIU's. All other compensation shown for 1997 represents directors fees of \$32,600 and the dollar value of the annual award of 1,600 shares to each non-employee director under the Directors' Stock Plan.

Certain Severance Pay Agreements

DPL Inc. entered into severance pay agreements with each of Messrs. Hill, Koziar and Santo and Mrs. Lansaw providing for the payment of severance benefits in the event that the individual's employment with DPL Inc. or its subsidiaries is terminated under specified circumstances within three years after a change in control of DPL Inc. or the Company (generally, defined as the acquisition of 15% or more of the voting securities or certain mergers or other business combinations). The agreements entered into between 1987 and 1991 require the individuals to remain with DPL Inc. throughout the period during which any change of control is pending in order to help put in place the best plan for the shareholders. The principal severance benefits under each agreement include payment of the following: (i) the individual's full base salary and accrued benefits through the date of termination and any awards for any completed or partial period under the MICP and the individual's award for the current period under the MICP (or for a completed period if no award for that period has yet been determined) fixed at an amount equal to his average annual award for the preceding three years; (ii) 300%

of the sum of the individual's annual base salary at the rate in effect on the date of termination (or, if higher, at the rate in effect as of the time of the change in control) plus the average amount awarded to the individual under the MICP for the three preceding years; (iii) all awarded or earned but unpaid SIU's; and (iv) continuing medical, life, and disability insurance. In the event any payments under these agreements are subject to an excise tax under the Internal Revenue Code of 1986, the payments will be adjusted so that the total payments received on an after-tax basis will equal the amount the individual would have received without imposition of the excise tax. The severance pay agreements are effective for one year but are automatically renewed each year unless DPL Inc. or the participant notifies the other one year in advance of its or his intent not to renew. DPL Inc. has agreed to secure its obligations under the severance pay agreements by transferring required payments to the Master Trust. Mr. Forster's agreement with DPL Inc. and the Company contains similar severance benefits provisions.

Pension Plans

The following table sets forth the estimated total annual benefits payable under the Company retirement income plan and the supplemental executive retirement plan to executive officers at normal retirement date (age 65) based upon years of accredited service and final average annual compensation (including base and incentive compensation) for the three highest years during the last ten:

| Final Average Annual Earnings | Total Annual Retirement Benefits for Years of Accredited Service at Age 65 | | |
|----------------------------------|---|-----------|-------------|
| | 10 Years | 15 Years | 20-30 Years |
| \$ 200,000 | \$ 52,500 | \$ 78,500 | \$ 104,500 |
| 400,000 | 109,500 | 164,000 | 218,500 |
| 600,000 | 166,500 | 249,500 | 332,500 |
| 800,000 | 223,500 | 335,000 | 446,500 |
| 1,000,000 | 280,500 | 420,500 | 560,500 |
| 1,200,000 | 337,500 | 506,000 | 674,500 |
| 1,400,000 | 394,500 | 591,500 | 788,500 |

The years of accredited service for the named executive officers are Mr. Hill -- 28 yrs.; Mr. Koziar -- 28 yrs.; Mrs. Lansaw -- 18 yrs.; and Mr. Santo -- 22 yrs. Years of service under the retirement income plan are capped at 30 years, however, the retirement and supplemental plans, taken together, can provide full benefits after 20 years of accredited service. Benefits are computed on a straight-life annuity basis, are subject to deduction for Social Security benefits and may be reduced by benefits payable under retirement plans of other employers. For each year an individual retires prior to age 62, benefits under the supplemental plan are reduced by 3% or 21% for early retirement at age 55. Mr. Forster ceased to accrue benefits under the retirement and supplemental plans effective as of December 31, 1996 upon his retirement as an employee of DPL Inc. and the Company.

Item 12 - Security Ownership Of Certain Beneficial Owners And Management

The Company's stock is beneficially owned by DPL Inc.

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each director of the Company as of January 31, 1998.

| <u>Name of Director</u> | <u>Amount and Nature of Beneficial Ownership (1)</u> |
|-------------------------|--|
| Thomas J. Danis | 35,799 shares |
| James F. Dicke, II | 92,130 shares |
| Peter H. Forster | 37,416 shares |
| Ernie Green | 34,023 shares |
| Jane G. Haley | 51,672 shares |
| Allen M. Hill | 32,733 shares |
| W August Hillenbrand | 20,683 shares |
| David R. Holmes | 10,888 shares |
| Burnell R. Roberts | 35,924 shares |

Set forth below is information concerning the beneficial ownership of shares of Common Stock of DPL Inc. by each executive officer of the Company named in the Summary Compensation Table (other than executive officers who are directors of the Company whose security ownership is found above) as of January 31, 1998.

| <u>Name of Executive Officer</u> | <u>Amount and Nature of Beneficial Ownership (1)</u> |
|----------------------------------|--|
| Stephen F. Koziar | 13,633 shares |
| H. Ted Santo | 3,747 shares |
| Judy W. Lansaw | 3,519 shares |

- (1) The number of shares shown represents in each instance less than 1% of the outstanding Common Shares of DPL Inc.

There were 402,572 shares or 0.25% of the total number of Common Shares beneficially owned by all directors and executive officers of DPL Inc. and the Company as a group at January 31, 1998. The number of shares shown for the directors includes Common Shares transferred to the Master Trust for non-employee directors pursuant to the Directors' Deferred Stock Compensation Plan.

Item 13 - Certain Relationships And Related Transactions

None.

PART IV**Item 14 - Exhibits, Financial Statement Schedule And Reports On Form 8-K**

(a) Documents filed as part of the Form 10-K

1. Financial Statements

See Item 8 - Index to Financial Statements on page II-8, which page is incorporated herein by reference.

2. Financial Statement Schedule

For the three years in the period ended December 31, 1997:

Page No.

Schedule II - Valuation and qualifying accounts

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The information required to be submitted in Schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The following exhibits have been filed with the Securities and Exchange Commission and are incorporated herein by reference.

| | | Incorporation by Reference |
|------|--|--|
| 2 | Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and the Company dated January 6, 1986 | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 3(a) | Regulations and By-Laws of the Company | Exhibit 2(e) to Registration Statement No. 2-68136 to Form S-16 |
| 3(b) | Copy of Amended Articles of Incorporation of the Company dated January 3, 1991 | Exhibit 3(b) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 4(a) | Copy of Composite Indenture dated as of October 1, 1935, between the Company and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) | Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) | Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) | Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between the Company and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) | Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between the Company and The Bank of New York, Trustee | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |

| | | |
|-------|--|---|
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between the Company and The Bank of New York, Trustee | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between the Company and The Bank of New York, Trustee | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between the Company and The Bank of New York, Trustee | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between the Company and The Bank of New York, Trustee | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between the Company and The Bank of New York, Trustee | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 10(a) | Description of Management Incentive Compensation Program for Certain Executive Officers..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 10(b) | Copy of Severance Pay Agreement with Certain Executive Officers..... | Exhibit 10(g) to Report on Form 10-K for the year ended December 31, 1987 (File No. 1-2385) |

| | | |
|-------|---|---|
| 10(c) | Copy of Supplemental Executive Retirement Plan amended August 6, 1991 | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1991 (File No. 1-2385) |
| 10(d) | Amended description of Directors' Deferred Stock Compensation Plan effective January 1, 1993 | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(e) | Amended description of Deferred Compensation Plan for Non-Employee Directors effective January 1, 1993 | Exhibit 10(e) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 10(f) | Copy of Management Stock Incentive Plan amended January 1, 1993 | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 1993 (File No. 1-2385) |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1988 (File No. 1-2385) |

The following exhibits are filed herewith:

| | | |
|-----|--|-----------------|
| | | <u>Page No.</u> |
| 21 | Copy of List of Subsidiaries of the Company..... | |
| (b) | <u>Reports on Form 8-K</u> | |
| | None. | |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAYTON POWER AND LIGHT COMPANY

Registrant

March 30, 1998

/s/ Allen M. Hill

Allen M. Hill

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Paul R. Anderson
(P. R. Anderson)

Controller (principal accounting officer)

March 30, 1998

(T. J. Danis)

Director

(J. F. Dicke, II)

Director

/s/ Peter H. Forster
(P. H. Forster)

Director and Chairman

March 30, 1998

/s/ Ernie Green
(E. Green)

Director

March 30, 1998

/s/ Jane G. Haley
(J. G. Haley)

Director

March 30, 1998

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| | | |
|---|---|----------------|
| <u>/s/ Allen M. Hill</u> (A. M. Hill) | Director, President and Chief Executive Officer | March 30, 1998 |
| <u>(W A. Hillenbrand)</u> | Director | |
| <u>/s/ David R. Holmes</u> (D. R. Holmes) | Director | March 30, 1998 |
| <u>/s/ Thomas M. Jenkins</u> (T. M. Jenkins) | Group Vice President and Treasurer (principal financial officer) | March 30, 1998 |
| <u>(B. R. Roberts)</u> | Director | |

Schedule II

**THE DAYTON POWER AND LIGHT COMPANY
VALUATION AND QUALIFYING ACCOUNTS**

For the years ended December 31, 1997, 1996 and 1995

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E |
|---|--------------------------------------|-------------------------|-------|-------------------|--------------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| -----thousands----- | | | | | |
| 1997: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 5,083 | \$ 5,515 | \$ - | \$ 5,941 | \$ 4,657 |
| 1996: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provisions for uncollectible accounts | \$ 6,481 | \$ 4,056 | \$ - | \$ 5,454 | \$ 5,083 |
| 1995: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 7,801 | \$ 1,096 | \$ - | \$ 2,416 | \$ 6,481 |

(1) Amounts written off, net of recoveries of accounts previously written off.

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RESPONSIVE TO QUESTION 11. d).

000522

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A**(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**For the fiscal year ended **December 31, 2001**

OR

**() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-9052**DPL INC.***(Exact name of registrant as specified in its charter)***OHIO***(State or other jurisdiction of
incorporation or organization)***1065 Woodman Drive, Dayton, Ohio**
*(Address of principal executive offices)***31-1163136***(I.R.S. Employer Identification No.)***45432***(Zip Code)*Registrant's telephone number, including area code: **937-224-6000****Securities registered pursuant to Section 12(b) of the Act:**

| <u>Title of each class</u> | <u>Outstanding at February 28, 2002</u> | <u>Name of each exchange on which registered</u> |
|---|---|--|
| Common Stock, \$0.01 par value and Preferred Share Purchase Rights | 126,501,404 | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 28, 2002 was \$2,923,447,446 based on a closing price of \$23.11 on such date.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II incorporate by reference portions of the registrant's 2001 Annual Report to Shareholders.

Portions of the definitive Proxy Statement for the 2002 Annual Meeting of Shareholders of the registrant are incorporated by reference into Part III.

Index to Annual Report on Form 10-K/A
Fiscal Year Ended December 31, 2001

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This Annual Report on Form 10-K/A is being filed to restate DPL Inc.'s consolidated financial statements as of and for the year ended December 31, 2001.

PART I**Item 1 - Business**

DPL INC.

DPL Inc. ("DPL") was organized in 1985 under the laws of the State of Ohio to engage in the acquisition and holding of securities of corporations for investment purposes. The executive offices of DPL are located at 1065 Woodman Drive, Dayton, Ohio 45432 - telephone (937) 224-6000.

DPL's principal subsidiary is The Dayton Power and Light Company ("DP&L"). DP&L is a public utility incorporated under the laws of Ohio in 1911. DP&L sells electricity to residential, commercial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for DP&L's 24 county service area is generated at eight power plants and is distributed to more than 500,000 retail customers. Principal industries served include automotive, food processing, paper, technology, and defense. DP&L's sales reflect the general economic conditions and seasonal weather patterns of the area.

Other subsidiaries of DPL include DPL Energy, LLC ("DPLE"), which engages in the business of development, construction, and operation of peaking generating facilities, and brokering wholesale electric energy; DPL Energy Resources, Inc., a competitive retail electric supplier; Plaza Building, Inc., which owns all the capital stock of MVE, Inc.; MVE, Inc., which provides financial support services to DPL and its subsidiaries; Miami Valley Insurance Company, an insurance company for DPL and its subsidiaries; Miami Valley Lighting, LLC, a street lighting business; Miami Valley Resources, Inc. ("MVR"), a natural gas supply management company; Miami Valley Leasing, which leases communications equipment and other miscellaneous equipment and owns real estate; Miami Valley CTC, Inc., a subsidiary of MVE, Inc., which provides transportation services; and MacGregor Park, Inc., an owner and developer of real estate.

DPL and its subsidiaries are exempt from registration with the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 because its utility business operates solely in the State of Ohio.

DPL and its subsidiaries employed 1,554 persons as of December 31, 2001, of which 1,313 were full-time employees and 241 were part-time employees.

COMPETITION

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers as of January 1, 2001. Under the legislation, electric generation, aggregation, power marketing, and power brokerage services supplied to retail customers in Ohio is deemed to be competitive and is not subject to supervision and regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the legislation, DP&L filed its transition plan at the PUCO on December 20, 1999. DP&L received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time DP&L's generation assets will no longer be subject to Ohio regulation and will be able to sell all capacity in the open energy market. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million; rate certainty for the three-year period for customers that continue to purchase power from DP&L; guaranteed rates for a six-year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its growth initiatives without regulatory restrictions.

On September 30, 1996, the FERC conditionally accepted DP&L's market-based sales tariff, which will allow DP&L to sell wholesale generation supply at prices that reflect current market prices. At the same time, the FERC approved the application and authorization of DP&L to sell and broker wholesale electric power and also charge market-based prices for such power. DPL Energy Resources, Inc. and Miami Valley Lighting, LLC filed at the FERC for market-based rate authority on November 16, 2000 and received FERC authority on December 13, 2000 and December 15, 2000, respectively. DPL Energy Resources, Inc. received approval from the PUCO on December 8, 2000 to provide competitive retail electric service.

DPL competes through its principal subsidiaries, DP&L and DP&L. DP&L competes with privately and municipally owned electric utilities and rural electric cooperatives, and other alternate fuel suppliers on the basis of price and service. DP&L operates over 4,000 megawatts of generation capacity and markets wholesale energy throughout the eastern half of the United States.

Like other utilities and energy marketers, DP&L and DP&L from time to time have electric generating capacity available for sale on the wholesale market. DP&L and DP&L compete with other generators to sell electricity provided by such capacity. The ability of DP&L and DP&L to sell this electricity will depend on how DP&L's and DP&L's price, terms and conditions compare to those of other suppliers. In addition, from time to time, DP&L makes power purchases from other suppliers.

The National Energy Policy Act of 1992, which reformed the Public Utilities Holding Company Act of 1935, allows the federal government to mandate access by others to a utility's electric transmission system and may accelerate competition in the supply of electricity.

DP&L provides transmission and wholesale electric service to twelve municipal customers, which distribute electricity within their corporate limits. In addition to these municipal customers, DP&L maintains an interconnection agreement with one municipality that has the capability to generate a portion of its energy requirements. Sales to municipalities represented 1.7% of total electricity sales in 2001.

The municipal agreements provide, among other things, for the sale of firm power by DP&L to the municipalities on specified terms. However, the parties disagreed in their interpretation of this portion of the agreement and DP&L filed suit against the eleven municipalities on December 28, 1998. The dispute was subsequently settled in 1999. In December 1999, DP&L filed a second suit against the municipalities to claim the

municipalities' initial failure to pay for certain services rendered under the contract. The municipalities filed a complaint at the Federal Energy Regulatory Commission ("FERC") claiming violation of a mediation clause. On June 29, 2000 the FERC Administrative Law Judge issued an initial decision in the case, which was favorable to DP&L; however, the FERC has not yet issued a final order. This dispute is expected to be resolved through the FERC process, and is not expected to result in a material impact on DP&L's financial position or results of operations.

On April 24, 1996, the FERC issued orders requiring all electric utilities that own or control transmission facilities to file open-access transmission service tariffs. Open-access transmission tariffs provide third parties with non-discriminatory transmission service comparable to what the utility provides itself. In its orders, the FERC further stated that FERC-jurisdictional stranded costs reasonably incurred and costs of complying with the rules will be recoverable by electric utilities. Both in 1997 and 1998, DP&L reached an agreement in principle with staff and intervenors in these tariff cases. The FERC issued an Order accepting the Stipulation between the parties in DP&L's Open Access Transmission Tariff cases on July 30, 1999 and September 17, 1999. DP&L was not materially impacted by the Order.

The FERC issued a final rule on December 20, 1999 specifying the minimum characteristics and functions for Regional Transmission Organizations ("RTO"). The rule required that all public utilities that own, operate or control interstate transmission file a proposal to join an RTO by October 15, 2000 or file a description of efforts taken to participate in an RTO, reasons for not participating in an RTO, any obstacles to participation in an RTO, and any plans for further work towards participation. DP&L filed with the FERC on October 16, 2000 to join the Alliance RTO. On December 19, 2001, the FERC issued an Order that did not approve the Alliance RTO as a stand-alone regional transmission organization. As of December 31, 2001, DPL had invested approximately \$6 million in its efforts to join the Alliance RTO. DPL is exploring its operational and financial options as a result of the FERC Order. The FERC recognized in its Order that substantial losses were incurred to establish the Alliance RTO and that it would consider proposals for rate recovery of prudently incurred costs.

On July 22, 1998, the PUCO approved the implementation of Minimum Electric Service Standards for all of Ohio's investor-owned electric utilities. This Order details minimum standards of performance for a variety of service-related functions, effective July 1, 1999. On December 21, 1999, the PUCO issued additional rules proposed by the PUCO staff, which are designed to guide the electric utility companies as they prepare to enter into deregulation. These rules include certification of providers of competitive retail electric services, minimum competitive retail electric service standards, monitoring the electric utility market, and establishing procedures for alternative dispute resolution. There were also rules issued to amend existing rules for noncompetitive electric service and safety standards and electric companies long-term forecast reporting. DP&L submitted comments on the proposed rules on January 31, 2000. The rules were finalized by the PUCO in June 2000 and did not have a material impact on DP&L's financial position.

On June 30, 2001, MVR sold substantially all of its customer contracts. The sale of these contracts did not have a material effect on overall results.

In October 2000, DP&L completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash.

CONSTRUCTION PROGRAM

Construction additions are expected to approximate \$161 million in 2002 and were \$339 and \$344 million in 2001 and 2000, respectively. The capital program includes the development of natural gas-fired combustion turbine generation peaking units and environmental compliance as follows:

| \$ in millions | 2002* | 2001 | 2000 |
|--------------------------|-------|-------|-------|
| Generation peaking units | \$27 | \$173 | \$289 |
| Environmental compliance | 64 | 58 | 15 |

*Expected

A summary of DPL's peaking generation expansion program is presented below:

| Completion Date | Investment (\$ in millions) | Megawatts Added |
|-----------------|-----------------------------|-----------------|
| June 2000 | \$ 80 | 224 |
| May/June 2001 | 215 | 544 |
| June 2002* | 179 | 480 |

*Expected

DPL began construction on the final phase of its peaking generation capacity expansion program during the third quarter of 2001. This addition, totaling 480 MW will be on line in June 2002, bringing DPL's generating capacity to 4,600 MW and achieving a generation mix of 65% base load and 35% peaking. DPL has not contracted for further capacity additions, but will continue licensing currently owned sites and evaluating the purchase of program equipment on the secondary market. If and when market-pricing conditions warrant, DPL will have the flexibility to expand its capacity.

Construction plans are subject to continuing review and are expected to be revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors. DPL's ability to complete its capital projects and the reliability of future service will be affected by its financial condition, the availability of external funds at reasonable cost, and adequate and timely rate recovery. DPL expects to finance its construction program in 2002 and 2003 with internal funds.

See ENVIRONMENTAL CONSIDERATIONS for a description of environmental control projects and regulatory proceedings that may change the level of future construction additions. The potential impact of these events on DPL's operations cannot be estimated at this time.

ELECTRIC OPERATIONS AND FUEL SUPPLY

DPL's present winter generating capability is 4,151,000 KW. Of this capability, 2,843,000 KW (approximately 68%) is derived from coal-fired steam generating stations and the balance consists of combustion turbine and diesel-powered peaking units. Approximately 87% (2,472,000 KW) of the existing steam generating capability is provided by certain units owned as tenants in common with The Cincinnati Gas & Electric Company ("CG&E") or with CG&E and Columbus Southern Power Company ("CSP"). Each company owns a specified undivided share of each of these units, is entitled to its share of capacity and energy output, and has a capital and operating cost responsibility proportionate to its ownership share.

The remaining steam generating capability (371,000 KW) is derived from a generating station owned solely by DP&L. DP&L's all-time net peak load was 3,130,000 KW, occurring in 1999. The present summer generating capability is 3,973,000 KW.

| Station | Ownership* | Operating Company | Location | MW Rating | |
|--------------------------------------|------------|-------------------|------------------|-------------|-------|
| | | | | DPL Portion | Total |
| <u>Coal Units</u> | | | | | |
| Hutchings | W | DP&L | Miamisburg, OH | 371 | 371 |
| Killen | C | DP&L | Wrightsville, OH | 402 | 600 |
| Stuart | C | DP&L | Aberdeen, OH | 820 | 2,340 |
| Conesville-Unit 4 | C | CSP | Conesville, OH | 129 | 780 |
| Beckjord-Unit 6 | C | CG&E | New Richmond, OH | 210 | 420 |
| Miami Fort-Units 7 & 8 | C | CG&E | North Bend, OH | 360 | 1,000 |
| East Bend-Unit 2 | C | CG&E | Rabbit Hash, KY | 186 | 600 |
| Zimmer | C | CG&E | Moscow, OH | 365 | 1,300 |
| <u>Combustion Turbines or Diesel</u> | | | | | |
| Hutchings | W | DP&L | Miamisburg, OH | 33 | 33 |
| Yankee Street | W | DP&L | Centerville, OH | 138 | 138 |
| Monument | W | DP&L | Dayton, OH | 12 | 12 |
| Tait | W | DP&L | Dayton, OH | 10 | 10 |
| Sidney | W | DP&L | Sidney, OH | 12 | 12 |
| Tait Gas Turbine 1 | W | DP&L | Moraine, OH | 100 | 100 |
| Tait Gas Turbine 2 | W | DP&L | Moraine, OH | 102 | 102 |
| Tait Gas Turbine 3 | W | DP&L | Moraine, OH | 102 | 102 |
| Killen | C | DP&L | Wrightsville, OH | 16 | 24 |
| Stuart | C | DP&L | Aberdeen, OH | 3 | 10 |
| Greenville | W | DPLE | Greenville, OH | 236 | 236 |
| Darby Station Units 1-4 | W | DPLE | Darby, OH | 320 | 320 |
| Montpelier Units 1-4 | W | DPLE | Montpelier, IN | 224 | 224 |

*W = Wholly-Owned

C = Commonly Owned

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In order to transmit energy to their respective systems from their commonly owned generating units, the companies have constructed and own, as tenants in common, 847 circuit miles of 345,000-volt transmission lines. DP&L has several interconnections with other companies for the purchase, sale and interchange of electricity. In July 2001, DPL completed a 40.2-mile long, 345,000-volt circuit between CG&E's Foster Substation and DP&L's Bath Substation. The circuit is jointly owned by DP&L and CG&E.

DP&L generated 98% of its electric output from coal-fired units in 2001. The remainder was from oil or natural gas-fired units, which were used to meet peak demands.

DP&L has contracted approximately 95% and 74% of its total coal requirements for 2002 and 2003, respectively, with the balance to be obtained by spot market purchases. The prices to be paid by DP&L under its long-term coal contracts are subject to adjustment in accordance with various indices. Each contract has features that will limit price escalations in any given year.

The average fuel cost per kilowatt-hour ("kWh") generated of fuel burned for electric generation (coal, gas and oil) for the year was 1.31¢ in 2001, 1.18¢ in 2000 and 1.30¢ in 1999. With the onset of competition in January 2001, the Electric Fuel Component became part of the Standard Offer Generation Rate. See RATE REGULATION AND GOVERNMENT LEGISLATION and ENVIRONMENTAL CONSIDERATIONS.

GAS OPERATIONS AND GAS SUPPLY

In October 2000, DP&L completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of taxes). Proceeds from the sale were used to finance the regional generation expansion and reduce outstanding short-term debt.

RATE REGULATION AND GOVERNMENT LEGISLATION

DP&L's sales to retail customers are subject to rate regulation by the PUCO and various municipalities. DP&L's wholesale electric rates to municipal corporations and other distributors of electric energy are subject to regulation by the FERC under the Federal Power Act.

Ohio law establishes the process for determining rates charged by public utilities. Regulation of rates encompasses the timing of applications, the effective date of rate increases, the cost basis upon which the rates are based and other related matters. Ohio law also establishes the Office of the Ohio Consumers' Counsel (the "OCC"), which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

Ohio legislation extends the jurisdiction of the PUCO to the records and accounts of certain public utility holding company systems, including DPL. The legislation extends the PUCO's supervisory powers to a holding company system's general condition and

capitalization, among other matters, to the extent that they relate to the costs associated with the provision of public utility service.

Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| (\$ in millions) | At December 31, | |
|--|-----------------|----------------|
| | 2001 | 2000 |
| Regulatory transition costs (a)..... | \$ 97.2 | \$144.8 |
| Income taxes recoverable through future revenues (b)..... | 39.2 | \$ 19.8 |
| Other costs (b) | <u>2.5</u> | <u>1.6</u> |
| Total | <u>\$138.9</u> | <u>\$166.2</u> |

(a) As discussed in the COMPETITION section, DP&L received PUCO approval of its transition plan for the deregulation of its generation business. Accordingly, DP&L discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate primarily to DP&L's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

Under the legislation passed in 1999, the percentage of income payment plan ("PIPP") for eligible low income households was converted to a Universal Service Fund in 2001. The universal service program is administered by the Ohio Department of Development and provides for full recovery of arrearages for qualifying low income customers. As part of DP&L's Electric Transition Plan, DP&L was granted authority to recover PIPP arrearages remaining as of December 31, 2000 as part of a transition charge.

In 2000, the PUCO amended the rules for Long-Term Forecast Reports for all investor-owned electric transmission and distribution companies in Ohio. Under these rules, each transmission and/or distribution company must annually file a Long-Term Electric Forecast Report, which presents 10-year energy and demand transmission and distribution forecasts. The reports also must contain information on the company's existing and planned transmission and distribution systems, as well as a substantiation of the need for any system upgrades or additions. DP&L filed a combined 2000/2001 Long-Term Electric Forecast Report under these amended rules in March 2001.

The PUCO is composed of five commissioners appointed to staggered five-year terms. The current Commission is composed of the following members:

| <u>Name</u> | <u>Beginning of Term</u> | <u>End of Term</u> |
|---------------------------------|--------------------------|--------------------|
| Clarence D. Rogers..... | February 2001 | April 2006 |
| Rhonda H. Fergus..... | April 1995 | April 2005 |
| Chairman Alan R. Schriber | April 1999 | April 2004 |
| Donald L. Mason..... | April 1998 | April 2003 |
| Judith A. Jones | April 1997 | April 2002 |

See COMPETITION for more detail regarding the impact of legislation passed in October 1999.

ENVIRONMENTAL CONSIDERATIONS

The operations of DPL and DP&L, including the commonly owned facilities operated by DP&L, CG&E and CSP, are subject to federal, state, and local regulation as to air and water quality, disposal of solid waste and other environmental matters, including the location, construction and initial operation of new electric generating facilities and most electric transmission lines. The possibility exists that current environmental regulations could be revised which could change the level of estimated construction expenditures. See CONSTRUCTION PROGRAM.

Air Quality

The Clean Air Act Amendments of 1990 (the "CAA") have limited sulfur dioxide and nitrogen oxide emissions nationwide. The CAA restricts emissions in two phases. Phase I compliance requirements became effective on January 1, 1995 and Phase II requirements became effective on January 1, 2000.

DP&L's environmental compliance plan ("ECP") was approved by the PUCO on May 6, 1993, and on November 9, 1995, the PUCO approved the continued appropriateness of the ECP. Phase I requirements were met by switching to lower sulfur coal at several commonly owned electric generating facilities and increasing existing scrubber removal efficiency. Total capital expenditures to comply with Phase I of the CAA were approximately \$5.5 million. Phase II requirements are being met primarily by switching to lower sulfur coal at all non-scrubbed coal-fired electric generating units.

In November 1999, the United States Environmental Protection Agency ("USEPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the CAA. Generation units operated by partners CG&E (Beckjord 6) and CSP (Conesville 4) and co-owned by DP&L were referenced in these actions. Numerous northeast states have filed complaints or have indicated that they will be joining the USEPA's action against the partners. DP&L was not identified in the NOV's, civil complaints or state actions. In December 2000, CG&E announced that it had reached an Agreement in Principle with the USEPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing. The outcome of these claims or the impact, if any, on DP&L has not been determined. In June 2000, the USEPA issued a NOV to DP&L-operated J.M. Stuart Station (co-owned by DP&L, CG&E, and CSP) for alleged violations of the CAA. The NOV contained allegations consistent with NOV's and complaints that the USEPA had recently brought against numerous other coal-fired utilities in the Midwest.

DPL will vigorously challenge the NOV. At this time, the outcome of these claims or the impact, if any, on DP&L is unknown.

In September 1998, the USEPA issued a final rule requiring states to modify their State Implementation Plans ("SIPs") under the CAA. The modified SIPs are likely to result in further nitrogen oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, DP&L's total capital expenditures are estimated to be approximately \$175 million, of which \$94 million remains to be expended by May 2004. Industry groups and others appealed the rules in United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rule an additional year, until May 31, 2004. In March 2001, the United States Supreme Court refused to hear further appeals of the SIP rules. In December 1999, the USEPA issued final rules granting various CAA Section 126 petitions filed by northeast states. DP&L's facilities were identified, among many others, in the rulemaking. In January 2002, the USEPA announced that reductions required under the CAA Section 126 rulemaking will be extended until May 31, 2004 to be consistent with the NOx SIP rule. DP&L's current NOx reduction strategy and associated expenditures to meet the SIP call should satisfy the rulemaking reduction requirements.

On December 14, 2000, the USEPA issued a determination that coal- and oil-fired electric generating units should be regulated for emissions of mercury and hazardous air pollutants. The USEPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

In March 2002, the United States Court of Appeals for the District of Columbia upheld the USEPA's National Ambient Air Quality Standards for ozone and fine particles. The USEPA is conducting a rulemaking regarding these standards. The impact of these standards and rules can not be determined at this time.

Land Use

DP&L and numerous other parties have been notified by the USEPA or the Ohio Environmental Protection Agency ("Ohio EPA") that it considers them Potentially Responsible Parties ("PRP's") for clean-up at three superfund sites in Ohio: the Sanitary Landfill Site on Cardington Road in Montgomery County, Ohio; the North Sanitary (a.k.a. Valleycrest) Landfill in Dayton, Montgomery County, Ohio; and the Tremont City Landfill in Springfield, Ohio.

DP&L received notification from the USEPA in July 1987 for the Cardington Road site. DP&L has not joined the PRP group formed at that site because of the absence of any known evidence that DP&L contributed hazardous substances to this site. In September 2001, the Court entered and finalized DP&L's settlements with the USEPA for this site. These settlements fully resolve DP&L's liabilities for this site and did not have a material effect on DP&L's financial position, earnings, or cash flow.

DP&L and numerous other parties received notification from the Ohio EPA on July 27, 1994 that it considers them PRP's for clean-up of hazardous substances at the North Sanitary Landfill site in Dayton, Ohio. DP&L has not joined the PRP group formed for the site because the available information does not demonstrate that DP&L contributed hazardous substances to the site. The Ohio EPA has not provided an estimated cost for this site. In October 2000, the PRP group brought an action against DP&L and numerous other parties alleging that DP&L and the others are PRP's that should be liable for a portion of clean-up costs at the site. DP&L will vigorously challenge this action. The final resolution is not expected to have a material effect on DP&L's financial position, earnings, or cash flow.

DP&L and numerous other parties received notification from the USEPA in January 2002 for the Tremont City site. The available information does not demonstrate that DP&L contributed any hazardous substances to the site. DP&L will vigorously challenge this action. The final resolution is not expected to have a material effect on the DP&L's financial position, earnings, or cash flow.

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DPL INC.
OPERATING STATISTICS
ELECTRIC OPERATIONS

| | Years Ended December 31 | | |
|-------------------------------------|-------------------------|-------------|-------------|
| | 2001 | 2000 | 1999 |
| Electric Sales (millions of kWh) | | | |
| Residential..... | 4,909 | 4,816 | 4,725 |
| Commercial..... | 3,618 | 3,540 | 3,390 |
| Industrial..... | 4,568 | 4,851 | 4,876 |
| Other retail..... | 1,369 | 1,370 | 1,306 |
| Total retail..... | 14,464 | 14,577 | 14,297 |
| Wholesale..... | 3,591 | 2,946 | 2,570 |
| Total..... | 18,055 | 17,523 | 16,867 |
| Operating Revenues (thousands) | | | |
| Residential..... | \$ 429,932 | \$ 422,733 | \$ 412,808 |
| Commercial..... | 257,663 | 245,097 | 235,309 |
| Industrial..... | 229,211 | 236,670 | 242,410 |
| Other retail..... | 91,011 | 91,193 | 86,521 |
| Total retail..... | 1,007,817 | 995,693 | 977,048 |
| Wholesale..... | 178,352 | 112,328 | 79,008 |
| Total..... | \$1,186,169 | \$1,108,021 | \$1,056,056 |
| Electric Customers at End of Period | | | |
| Residential..... | 445,969 | 444,683 | 441,468 |
| Commercial..... | 46,700 | 46,218 | 45,470 |
| Industrial..... | 1,903 | 1,928 | 1,917 |
| Other..... | 6,302 | 6,156 | 6,040 |
| Total..... | 500,874 | 498,985 | 494,895 |

NOTE: See Note 12 to Consolidated Financial Statements for additional information.

DPL INC.
OPERATING STATISTICS
GAS OPERATIONS

| | Years Ended December 31 | | |
|-----------------------------------|-------------------------|-----------|-----------|
| | 2001 | 2000 | 1999 |
| Gas Sales (thousands of MCF) | | | |
| Residential..... | - | 18,538 | 24,450 |
| Commercial..... | - | 5,838 | 7,647 |
| Industrial..... | - | 2,034 | 2,246 |
| Public authorities..... | - | 776 | 1,182 |
| Transportation gas delivered..... | - | 16,105 | 20,190 |
| Total..... | - | 43,291 | 55,715 |
| Operating Revenues (thousands) | | | |
| Residential..... | - | \$119,460 | \$139,545 |
| Commercial..... | - | 35,262 | 40,225 |
| Industrial..... | - | 11,114 | 11,017 |
| Public authorities..... | - | 4,466 | 5,908 |
| Other..... | - | 13,554 | 18,284 |
| Total..... | - | \$183,856 | \$214,979 |
| Gas Customers at End of Period | | | |
| Residential..... | - | - | 282,706 |
| Commercial..... | - | - | 22,635 |
| Industrial..... | - | - | 1,303 |
| Public authorities..... | - | - | 1,173 |
| Total..... | - | - | 307,817 |

NOTE:

- 1) DP&L completed the sale of its natural gas retail distribution assets and certain liabilities in October 2000.
- 2) See Note 12 to Consolidated Financial Statements for additional information.

Item 2 - Properties

Electric

Information relating to DP&L's electric properties is contained in Item 1 – BUSINESS, DPL INC. (page 3), CONSTRUCTION PROGRAM (pages 6 and 7) and ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 7 and 8), and Item 8 – Notes 4 and 12 of Notes to Consolidated Financial Statements on pages 37 and 45-47, respectively, of this Form 10-K/A.

Gas

Information relating to DP&L's gas properties is contained in Item 1 – BUSINESS, DPL INC. (page 3) and GAS OPERATIONS AND GAS SUPPLY (page 8), and Item 8 – Note 3 of Notes to Consolidated Financial Statements on page 36 of this Form 10-K/A.

Substantially all property and plant of DP&L is subject to the lien of the Mortgage securing DP&L's First Mortgage Bonds.

Item 3 - Legal Proceedings

Information relating to legal proceedings involving DP&L is contained in Item 1 – BUSINESS, DPL INC. (page 3), COMPETITION (pages 3-6), ELECTRIC OPERATIONS AND FUEL SUPPLY (pages 7 and 8), RATE REGULATION AND GOVERNMENT LEGISLATION (pages 8-10), ENVIRONMENTAL CONSIDERATIONS (pages 10-12), and Item 8 – Note 4 of Notes to Consolidated Financial Statements on page 37 of this Form 10-K/A.

Item 4 - Submission of Matters to a Vote of Security Holders

There were no submissions to the security holders in the fourth quarter.

EXECUTIVE OFFICERS OF THE REGISTRANT
(As of March 1, 2002)

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| <u>Name</u> | <u>Age</u> | <u>Business Experience, Last Five Years (Positions with Registrant Unless Otherwise Indicated)</u> | <u>Dates</u> |
|------------------------|------------|--|--|
| Allen M. Hill | 56 | President and Chief Executive Officer, DPL Inc. and DP&L President and Chief Executive Officer, DP&L President and Chief Operating Officer | 1/01/97 - 3/01/02 4/06/92 - 3/01/02 9/26/95 - 1/01/97 |
| Susan Flanagan | 39 | Vice President, Market Development Vice President, Mergers and Acquisitions Director, PricewaterhouseCoopers LLP, New York, NY | 2/20/02 - 3/01/02 9/11/00 - 2/20/02 12/01/95 - 8/31/00 |
| Stephen F. Koziar, Jr. | 57 | Group Vice President and Secretary, DPL Inc. and DP&L | 1/31/95 - 3/01/02 |
| Elizabeth M. McCarthy | 42 | Group Vice President and Chief Financial Officer, DPL Inc. and DP&L Vice President and Chief Accounting Officer, DPL Inc. and DP&L Partner, PricewaterhouseCoopers LLP, New York, NY | 9/26/00 - 3/01/02 4/01/00 - 9/26/00 7/01/94 - 3/31/00 |
| Arthur G. Meyer | 51 | Vice President, Legal and Corporate Affairs, DP&L Director, Corporate Relations, DP&L | 11/21/97 - 3/01/02 5/14/96 - 11/21/97 |
| Bryce W. Nickel | 45 | Assistant Vice President, DP&L | 1/01/94 - 3/01/02 |
| H. Ted Santo | 51 | Group Vice President, DP&L | 12/08/92 - 3/01/02 |
| Patricia K. Swanke | 42 | Vice President, Operations, DP&L Managing Director, DP&L | 9/29/99 - 3/01/02 9/08/96 - 9/29/99 |

Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters

As of December 31, 2001, there were 33,729 holders of record of DPL common equity, excluding individual participants in security position listings.

As long as any Preferred Stock is outstanding, DP&L's Amended Articles of Incorporation contain provisions restricting the payment of cash dividends on any of its Common Stock if, after giving effect to such dividend, the aggregate of all such dividends distributed subsequent to December 31, 1946 exceeds the net income of DP&L available for dividends on its Common Stock subsequent to December 31, 1946, plus \$1,200,000. As of year-end, all earnings reinvested in the business of DP&L were available for Common Stock dividends.

Item 6 - Selected Financial Data - Amended

| | | 2001 As Restated | 2000 | 1999 | 1998 | 1997 |
|------------------|---|------------------------|----------|---------|---------|---------|
| <i>DPL Inc.:</i> | For the years ended December 31, | | | | | |
| | Earnings per share of common stock | \$ 1.65 (a) | 2.23 (b) | 1.35 | 1.24 | 1.20 |
| | Dividends paid per share | \$ 0.94 | 0.94 | 0.94 | 0.94 | 0.91 |
| | Dividend payout ratio | % 56.9 (a) | 42.2 (b) | 69.6 | 75.8 | 75.8 |
| | Income before extraordinary item and effect of accounting change | \$ 196.9 | 284.9 | 204.2 | 189.1 | 181.4 |
| | Electric revenues (millions) | \$ 1,186.2 | 1,108.0 | 1,056.0 | 1,070.7 | 1,007.8 |
| | Gas revenues (millions) | \$ - | 183.8 | 215.0 | 211.2 | 244.4 |
| | Total construction additions (millions) | \$ 338.9 | 343.9 | 166.5 | 111.4 | 110.6 |
| | Market value per share at December 31 | \$ 24.08 | 33.19 | 17.31 | 21.63 | 19.19 |
| <i>DPL Inc.:</i> | Electric sales (millions of kWh) -- | | | | | |
| | Residential | 4,909 | 4,816 | 4,725 | 4,790 | 4,788 |
| | Commercial | 3,618 | 3,539 | 3,390 | 3,518 | 3,408 |
| | Industrial | 4,568 | 4,851 | 4,876 | 4,655 | 4,749 |
| | Other retail | 1,369 | 1,371 | 1,305 | 1,360 | 1,330 |
| | Total retail | 14,464 | 14,577 | 14,296 | 14,323 | 14,275 |
| | Wholesale | 3,591 | 2,946 | 2,571 | 3,158 | 2,334 |
| | Total | 18,055 | 17,523 | 16,867 | 17,481 | 16,609 |
| | Gas sales (thousands of MCF) -- (c) | | | | | |
| | Residential | - | 18,538 | 24,450 | 24,877 | 29,277 |
| | Commercial | - | 5,838 | 7,647 | 7,433 | 9,567 |
| | Industrial | - | 2,034 | 2,246 | 1,916 | 2,520 |
| | Other | - | 776 | 1,182 | 1,699 | 2,153 |
| | Transported gas | - | 16,105 | 20,190 | 17,788 | 18,523 |
| | Total | - | 43,291 | 55,715 | 53,713 | 62,040 |
| <i>DPL Inc.:</i> | At December 31, | | | | | |
| | Book value per share | \$ 7.02 | 7.43 | 9.65 | 9.01 | 8.45 |
| | Total assets (millions) | \$ 4,275.9 | 4,465.6 | 4,340.4 | 3,855.9 | 3,585.2 |
| | Long-term debt (millions) | \$ 2,150.8 | 1,758.5 | 1,336.6 | 1,065.9 | 971.0 |
| | Trust preferred securities | \$ 292.4 | 550.0 | - | - | - |
| <i>DP&L:</i> | First mortgage bond ratings -- | | | | | |
| | Standard & Poor's Corporation | BBB+ | BBB+ | AA- | AA- | AA- |
| | Moody's Investors Service | A2 | A2 | Aa3 | Aa3 | Aa3 |
| <i>DPL Inc.:</i> | Number of Shareholders | | | | | |
| | Common | 33,729 | 35,903 | 39,399 | 41,791 | 43,689 |
| <i>DP&L:</i> | Preferred | 476 | 471 | 509 | 559 | 625 |

- (a) Represents restated Basic Earnings Per Share before cumulative effect of accounting change. Restated Basic EPS and the dividend payout ratio for 2001 were \$1.71 and 55.0%, respectively, before non-recurring items (see Note 6).
- (b) Represents Basic Earnings Per Share before extraordinary item. Basic EPS and the dividend payout ratio for 2000 were \$1.56 and 60.3%, respectively, before non-recurring (see Notes 3 and 8) and extraordinary items (see Note 4).
- (c) On October 31, 2000, DP&L completed the sale of its natural gas retail distribution assets and certain liabilities (see Note 3).

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Amended

Overview

As publicly announced on August 14, 2002, DPL's independent accountant, PricewaterhouseCoopers, has required use of a different accounting method to recognize the investment results and valuation of the Company's financial asset portfolio. DPL agrees with this accounting method, which has been applied retroactively to 2001, and that recognizes income or loss from the financial asset portfolio in accordance with the equity and cost method of accounting. It is a non-cash change that adjusts the timing of when unrealized gains and losses are recognized in the income statement. Previously, they were reflected on the balance sheet in accumulated other comprehensive income. The revision resulted in a reduction in full year 2001 earnings of \$19 million or \$0.16 per share and an increase in publicly announced earnings for the first six months of 2002 of \$23 million or \$0.20 per share. DPL's financial asset balance remains at \$1.1 billion at December 31, 2001. See Note 1 to the financial statements for a description of the adjustments.

DPL Inc. ("DPL") reported restated earnings of \$1.71 per share for 2001, an increase of 10% over 2000 earnings of \$1.56 per share and up 27% from the \$1.35 per share in 1999. (Earnings per share numbers are before extraordinary and non-recurring items and share dilution.) Growth from increased wholesale sales, sales of capacity from DPL's 2001 and 2000 peaking generation capacity additions, and increased retail revenues were the primary drivers.

Results for 2001 included net non-recurring items of \$6.0 million after tax or \$0.05 per share reflecting the adoption of the new accounting standard for derivatives in the first quarter, and charges associated with a voluntary early retirement program completed in June 2001 and a non-union workforce reduction program completed in November 2001.

Several events affected DPL's results in 2000 as it prepared for the deregulation of the energy markets. In the first quarter, DPL completed its leveraged recapitalization and realigned its compensation programs more fully with shareholders' interests. In the third quarter, DPL's subsidiary, The Dayton Power and Light Company ("DP&L"), received an order from the Public Utilities Commission of Ohio ("PUCO") approving its deregulation transition plan ("Transition Plan"), which resulted in the elimination of regulatory accounting for the generation business. In the fourth quarter, DPL completed the sale of its natural gas retail distribution operations.

- Each of these non-recurring events affected 2001 and 2000 earnings per share as outlined below:

| | 2001 As Restated | 2000 | 1999 |
|--|---------------------|--------|--------|
| Earnings per Share – Basic, after non-recurring items | \$1.66 | \$1.91 | \$1.35 |
| Voluntary early retirement | 0.03 | | |
| Non-union reduction | 0.03 | | |
| Accounting change | (0.01) | | |
| Recapitalization | | 0.26 | |
| Compensation program | | 0.02 | |
| Extraordinary charge | | 0.32 | |
| Gas operations – gain on sale | | (0.95) | |
| Earnings per Share – Basic, before non-recurring items | \$1.71 | \$1.56 | \$1.35 |

Looking forward, DPL's earnings for 2002 are expected to range between \$1.87 and \$2.00 per share. Actual 2002 results will depend on a number of factors including weather conditions, customer growth, global economic conditions, and commodity prices. The broadness of the earnings range reflects the difficulty in predicting the timing and magnitude of each of these factors. For 2003, DPL expects 6-9% earnings growth.

Income Statement Highlights

| \$ in millions | 2001 | 2000 | 1999 |
|----------------------------|--------------|--------------|--------------|
| Electric revenues | \$1,186.2 | \$1,108.0 | \$1,056.0 |
| Fuel and purchased power | <u>305.0</u> | <u>268.2</u> | <u>263.2</u> |
| Net electric revenues | 881.2 | 839.8 | 792.8 |
| Gas revenues (a) | - | 183.8 | 215.0 |
| Gas purchased for sale (b) | <u>-</u> | <u>116.9</u> | <u>129.9</u> |
| Net gas revenues | - | 66.9 | 85.1 |
| Other revenues, net | 13.4 | 13.1 | 12.7 |

(a) The natural gas retail distribution operations were sold in October 2000.

(b) Net of gas purchases by a non-utility subsidiary of \$155.4, \$131.2, and \$54.3 million in 2001, 2000, and 1999, respectively.

In 2001, net electric revenues increased \$41.4 million or 5% primarily as a result of additional peaking generation capacity sales and increased wholesale and retail revenues. Wholesale revenues from existing generation increased as a result of higher sales volume and commodity prices. Retail revenues increased 1% in 2001. Growth in residential and commercial sales of 2% was offset by declines in industrial sales of 6%, reflecting current economic conditions and mild weather, which reduced overall retail sales by 1%. Fuel costs for existing generation increased as a result of higher spot-market prices for coal, and greater fuel usage and power purchases resulting from increased wholesale sales. In 2000, net electric revenues increased \$47.0 million or 6% as a result of higher wholesale and retail sales, and the addition of peaking

generation capacity sales. The effect of these increased sales on fuel and purchased power costs were offset by lower fuel expense used in generation.

The decline in net gas revenues for both 2001 and 2000 resulted from the sale of the natural gas retail distribution assets and certain liabilities, which was completed in October 2000.

Operation and maintenance expense decreased \$30.2 million or 15% in 2001 primarily as a result of the sale of the natural gas retail distribution operations, lower employee benefit and insurance costs, and general cost containment efforts. These decreases were partially offset by charges for a voluntary early retirement program and a non-union workforce reduction program, totaling \$10.7 million before taxes. Operation and maintenance expense increased \$6.6 million or 4% in 2000 as a result of higher insurance and claims costs, uncollectibles, power production costs, and a loss from natural gas supply management contracts. These increases were partially offset by lower employee benefit costs and natural gas retail distribution system expense. Year to year variances in insurance and claims costs result primarily from adjustments to actuarially-determined reserve requirements for risks insured through a wholly-owned captive insurance company.

Depreciation and amortization expense decreased by 6% and 1% in 2001 and 2000, respectively, primarily as a result of depreciation rate changes for certain generation units in 2001 and the sale of the natural gas retail distribution assets. These decreases were partially offset by increased depreciation resulting from the addition of peaking generation assets of 544 and 224 megawatts in 2001 and 2000, respectively.

Beginning January 1, 2001, regulatory transition cost assets of \$144.8 million are being amortized over a three-year period based on transition revenues. As a result, amortization expense increased by \$30.6 million in 2001 for transition revenues recognized during the year.

General taxes decreased \$29.4 million or 23% in 2001 primarily as a result of changes in tax laws associated with the Transition Plan, and the sale of the natural gas retail distribution assets.

Restated investment income in 2001 is comprised of realized gains and income of \$65.7 million and \$17.3 million from the public securities and private investments under the cost method, respectively, offset by net unrealized losses from private securities under the equity method of \$57.8 million. Investment income for 2001 reflects general declines in market value attributable to global market conditions. Investment income increased \$38.3 million or 80% in 2000 compared to 1999 as a result of higher net realized gains. Investment income in 2000 is comprised of realized gains and income of \$42.1 million and \$28.7 million from the public securities and private investments under the cost method, respectively, and net realized gains of \$15.1 million from the private investments under the equity method.

Interest expense decreased 2% in 2001 primarily as result of higher capitalized interest expense, lower average short-term debt levels, and lower interest rates. These decreases were partially offset by higher average long-term debt levels. Interest

expense increased 27% in 2000 as a result of increased long-term debt levels and higher long-term debt interest rates.

Other income (deductions) decreased \$135.7 million in 2001 as a result of the pre-tax \$182.5 million gain that was recognized in 2000 for the sale of the natural gas retail distribution operations, partially offset by a receivable by DP&L for insurance claims under its business interruption policy related to deregulation (see Issues and Financial Risks - Other Matters), and costs associated with the elimination of certain compensation programs in 2000. Other income (deductions) increased \$148.6 million in 2000 as a result of the \$182.5 million gain, partially offset by costs as described above, property donations, stock compensation expense, and investment management fees.

Trust preferred distributions by subsidiary decreased \$47.8 million or 55% in 2001 as a result of the amortization of the \$50 million original issue discount in 2000 and the refinancing of the trust preferred securities in August 2001, which reduced the principal outstanding and the coupon rate.

Pursuant to deregulation legislation enacted in Ohio and the Order issued in September 2000 by the PUCO, DP&L discontinued the use of its regulatory accounting model for its generation operations. As a result, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71." (See Note 4 to the Consolidated Financial Statements.)

The cumulative effect of an accounting change reflects DPL's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and be measured at fair value, and changes in the fair value be recorded in earnings, unless they are designated as hedges of an underlying transaction.

Capital Resources and Requirements

Construction additions are expected to approximate \$161 million in 2002, and were \$339 and \$344 million in 2001 and 2000, respectively. The capital program includes the development of natural gas-fired combustion turbine generation peaking units and environmental compliance as follows:

| | 2002* | 2001 | 2000 |
|--------------------------|-------|-------|-------|
| Generation peaking units | \$27 | \$173 | \$289 |
| Environmental compliance | 64 | 58 | 15 |

**Expected*

A summary of the peaking generation expansion program is presented below:

| Completion Date | Investment (\$ in millions) | Megawatts Added |
|--------------------|--------------------------------|--------------------|
| June 2000 | \$ 80 | 224 |
| May/June 2001 | 215 | 544 |
| June 2002* | 179 | 480 |

**Expected*

DPL began construction on the final phases of its peaking capacity expansion during the third quarter of 2001. This addition, totaling 480 MW will be on line in June 2002, bringing DPL's generating capacity to 4,600 MW and achieving a generation mix of 65% base load and 35% peaking. DPL has not contracted for further additions, but will continue licensing currently owned sites and evaluating the purchase of equipment on the secondary market. If and when market-pricing conditions warrant, DPL will have the flexibility to expand its capacity. DPL expects to finance its construction program in 2002 and 2003 with internal funds.

DPL's financial assets of \$1,143 million at December 31, 2001 are an additional capital resource, available to be invested in the energy sector when that market has favorable investment conditions. The financial asset portfolio is highly diversified both in terms of geography and industry, and consists of publicly traded securities as well as private investments with 26 Investment Firms managed by experienced investment professionals who make investment decisions and manage underlying companies. Publicly traded securities comprise 16% of the portfolio and are valued at current public market. Private securities, with more than 500 companies represented, are carried at cost unless an other than temporary decline in value has been recognized or at DPL's share of the capital of the private equity fund, which reflects the value of the underlying companies. The Company may be called upon to make additional investments if and as the Investment Firms purchase additional companies during the funds' investment period. Over the last several years, these investments have been funded from the return of previously invested capital gains, keeping the total private invested balance substantially the same. A part or all of the public securities portion of the portfolio, approximately \$180 million, is available for funding capital calls, if and as required. The magnitude of future investment opportunities and corresponding capital calls by the funds as well as the rate of return of capital and gains cannot be predicted. However, with an average portfolio company life of just three years, the aggregate capital invested in the private equity portion of the portfolio is not expected to exceed \$1 billion, notwithstanding that the Company can be called upon to additionally invest up to approximately \$430 million during the next six years. These funds are saleable in an active secondary market although the breadth and quality of bids at any particular point in time cannot be predicted or assured. Investments by these Investment Firms are designed to be self-liquidating over time, typically five to seven years from the start.

During 2001, investing cash flows included a cash payment of \$90.9 million for income taxes associated with the tax gain on the sale of the natural gas retail distribution operations that occurred in October 2000.

In August 2001, DPL issued \$300 million of trust preferred securities at 8.125% and \$400 million of senior unsecured notes at 6.875%. The trust preferred securities have a term of 30 years and the unsecured notes have a term of 10 years. The proceeds from the sale of these securities were used to redeem \$550 million of 8.5% trust preferred securities and for general corporate purposes including the retirement of short-term debt.

In February 2000, DPL entered into a series of recapitalization transactions including the issuance of \$550 million of a combination of voting preferred and trust preferred securities and warrants to an affiliate of investment company Kohlberg Kravis Roberts & Co. ("KKR"). The trust preferred securities sold to KKR had an aggregate face amount of \$550 million, were issued at an initial discounted aggregate price of \$500 million, had a maturity of 30 years (subject to acceleration six months after the exercise of the warrants), and paid distributions at a rate of 8.5% of the aggregate face amount per year. The 6.8 million shares of mandatorily redeemable voting preferred securities, par value of \$0.01 per share, were issued at an aggregate purchase price of \$68,000 and carry voting rights for up to 4.9% of DPL's total voting rights and the nomination of one Board seat. The 31.6 million warrants were issued, representing approximately 25% of DPL's shares currently outstanding, with a term of 12 years, and an exercise price of \$21 per share. These warrants were sold for an aggregate price of \$50 million. DPL recognized the entire trust preferred securities original issue discount of \$50 million in 2000. The proceeds from this recapitalization, combined with the March 2000 issuance of \$425 million of 8.25% Senior Notes due 2007, were used to finance the regional generation expansion, repurchase 31.3 million shares of DPL common shares, and reduce outstanding short-term debt.

DPL purchased 25 million shares of its common stock in a Dutch Auction self-tender in March 2000. Through December 31, 2001, DPL repurchased an additional 6.3 million shares under an authorized share repurchase program of up to 6.6 million shares. These shares are held as treasury stock.

DPL and its subsidiaries have \$200 million available through revolving credit agreements with a consortium of banks. Facility fees are approximately \$0.3 million per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for DPL's commercial paper program. At December 31, 2001 and 2000, DPL had no outstanding borrowings under these credit agreements.

DP&L has \$75.0 million available in short-term informal lines of credit. The commitment fees are not material. Borrowings at December 31, 2001 and 2000 were zero.

DPL had \$12 million outstanding in commercial paper at year-end 2001 at an interest rate of 3.2% and no commercial paper outstanding at year-end 2000. DP&L had no outstanding commercial paper balances at December 31, 2001 and 2000.

Issuance of additional amounts of first mortgage bonds by DP&L is limited by provisions of its mortgage. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales, and construction plans. DP&L currently has sufficient capacity to issue first mortgage bonds to satisfy its requirements in connection with the financing of its construction and refinancing programs during the five-year period 2002-2006.

At year-end 2001, DPL's and DP&L's senior debt credit ratings were as follows:

| | <u>DPL Inc.</u> | <u>DP&L</u> |
|----------------------------|-----------------|-----------------|
| Standard & Poor's Corp. | BBB | BBB+ |
| Moodys's Investors Service | Baa1 | A2 |

Market Risk

The carrying value of DPL's debt was \$2,159 million at December 31, 2001, consisting of DP&L's first mortgage bonds, DP&L's guaranteed air quality development obligations, and DPL's notes. The fair value of this debt was \$2,234 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table presents the principal cash repayments and related weighted average interest rates by maturity date for long-term, fixed rate debt at December 31, 2001:

| Expected Maturity Date | Long-term Debt | |
|---------------------------|----------------------------|--------------|
| | Amount (\$ in millions) | Average Rate |
| 2002 | \$ 8 | 7.8% |
| 2003 | 9 | 7.8% |
| 2004 | 511 | 6.7% |
| 2005 | 13 | 7.8% |
| 2006 | 16 | 7.8% |
| Thereafter | <u>1,602</u> | 7.4% |
| Total | <u>\$2,159</u> | 7.3% |
| Fair Value | \$2,234 | |

Because the long-term debt is at a fixed rate, the primary market risk to DPL is short-term interest rate risk. The carrying value and fair value of short-term debt was \$12 million with a weighted-average interest rate of 3.2% at December 31, 2001. The interest expense risk resulting from a hypothetical 10% increase/decrease in the quarterly weighted-average cost of this debt is negligible.

The fair value of fixed income and equity securities held was \$1,147 million at December 31, 2001. The equity price risk related to these securities was estimated as the potential increase/decrease in fair value of \$115 million at December 31, 2001, resulting from a hypothetical 10% increase/decrease in the value of the underlying securities. DPL is also exposed to foreign currency risk related to certain of its international investments.

DPL's financial results are impacted by changes in electricity, coal, and gas commodity prices. Ten percent of DPL's expected 2002 revenues are from spot energy sales in the wholesale market and sales of peaking capacity. Fuel and purchased power costs represented 41% of total operating costs in 2001. DPL has contracted for approximately 90% of its coal needs for 2002. A 2% change in overall fuel costs would result in a \$3.5 million change in net income.

Issues and Financial Risks

This report contains certain forward-looking statements regarding plans and expectations for the future. Investors are cautioned that actual outcomes and results may vary materially from those projected due to various factors beyond DPL's control, including abnormal weather, unusual maintenance or repair requirements, changes in fuel costs, increased competition, regulatory changes and decisions, changes in accounting rules, and adverse economic conditions.

Electric Restructuring Legislation

In October 1999, legislation became effective in Ohio that gave electric utility customers a choice of energy providers starting January 1, 2001. Under the legislation, electric generation, aggregation, power marketing and power brokerage services supplied to retail customers in Ohio are deemed competitive and are not subject to supervision and regulation by the PUCO. As required by the legislation, DP&L filed its transition plan at the PUCO on December 20, 1999. DP&L received PUCO approval of its plan on September 21, 2000.

The transition plan provides for a three-year transition period, which began on January 1, 2001 and ends on December 31, 2003, at which time DP&L's generation assets will be fully merchant. The plan also provides for a 5% residential rate reduction on the generation component of the rates, which reduces revenue by approximately \$13-14 million; rate certainty for the three year period for customers that continue to purchase power from DP&L; guaranteed rates for a six year period for transmission and delivery services; and recovery of transition costs of approximately \$600 million. Under the plan, DPL has the organizational and financial flexibility to continue its corporate realignment initiatives without regulatory restrictions.

In 1996 and 1997, the Federal Energy Regulatory Commission ("FERC") issued orders requiring all electric utilities to file open-access transmission service tariffs. DP&L's resulting tariff case proceedings with FERC staff and intervenors in 1997 and 1998 culminated in 1999 with the FERC issuing an Order approving DP&L's settlement with no material adverse effect to DP&L. On October 16, 2000 DP&L filed with the FERC to join the Alliance Regional Transmission Organization ("Alliance RTO"). On December 19, 2001 the FERC issued an Order that did not approve the Alliance RTO as a stand-alone regional transmission organization. As of December 31, 2001, DP&L had invested approximately \$6 million in its efforts to join the Alliance RTO. The FERC has indicated that prudently incurred costs are recoverable in future rates. DP&L is exploring its options.

Sale of Gas Operations

In October 2000, DP&L completed the sale of its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of tax), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance the regional generation expansion and reduce outstanding short-term debt.

In November 1999, the United States Environmental Protection Agency ("US EPA") filed civil complaints and Notices of Violations ("NOV's") against operators and owners of certain generation facilities for alleged violations of the Clean Air Act ("CAA"). Generation units operated by partners Cincinnati Gas & Electric Company (Beckjord 6) and Columbus Southern Power Company (Conesville 4) and co-owned by DP&L were referenced in these actions. Numerous northeast states have filed complaints or have indicated that they will be joining the US EPA's action against the partners. DP&L was not identified in the NOV's, civil complaints or state actions. In December 2000, Cincinnati Gas & Electric Company announced that it had reached an Agreement in Principle with the US EPA and other plaintiffs in an effort to settle the claims. Discussions on the final terms of the settlement are ongoing. Therefore, it is not possible to determine the outcome of these claims or the impact, if any, on DP&L. In June 2000, the US EPA issued a NOV to DP&L-operated J.M. Stuart Station (co-owned by DP&L, Cincinnati Gas & Electric Company, and Columbus Southern Power Company) for alleged violations of the CAA. The NOV contained allegations consistent with NOV's and complaints that the US EPA had recently brought against numerous other coal-fired utilities in the Midwest. DP&L will vigorously challenge the NOV. At this time, it is not possible to determine the outcome of these claims or the impact, if any, on DP&L.

The United States and Ohio EPA's have notified numerous parties, including DP&L, that they are considered Potentially Responsible Parties ("PRP's") for clean up of three hazardous waste sites in Ohio. The US EPA has estimated total costs of under \$10 million for its preferred clean-up plans at one of these sites. In September 2001, the Court entered and finalized DP&L's settlements with the US EPA for the first site. DP&L also settled with the PRP group for the site. These settlements fully resolve DP&L's liability for this site. The Ohio EPA has not provided an estimated cost for the second site. In October 2000, the PRP group at the second site brought an action against DP&L and numerous other parties to recover a portion of the clean-up costs. DP&L will vigorously challenge this action. In January 2002, DP&L and seventy-five other parties received notification from the US EPA that they might be PRP's for clean up of hazardous substances at a third site. The available information demonstrates that DP&L did not contribute any hazardous substances to the site. The final resolutions of these matters are not expected to have a material effect on DP&L's financial position, earnings or cash flow.

In September 1998, the US EPA issued a final rule requiring states to modify their State Implementation Plans ("SIP's") under the CAA. The modified SIP's are likely to result in further Nitrogen Oxide ("NOx") reduction requirements placed on coal-fired generating units by 2003. In order to meet these NOx requirements, DP&L's total capital expenditures are estimated to be approximately \$175 million over the next three years. Industry groups and others appealed the rules in the United States District Court. The requirement for states to submit revised implementation plans has been stayed until the outcome of the litigation. In March 2000, the United States District Court upheld the rule. Industry groups and others have appealed this decision. As a result of the litigation, the Court extended the compliance date of the rules an additional year, until May 31, 2004. In December 1999, the US EPA issued final rules granting various CAA Section 126 petitions filed by northeast states. DP&L's facilities were identified, among

many others, in the rulemaking. In January 2002, the US EPA announced that reductions required under the CAA Section 126 rulemaking will be extended until May 31, 2004 to be consistent with the NOx SIP rule. DP&L's current NOx reduction strategy to meet the SIP call is expected to satisfy the rulemaking reduction requirements.

On December 14, 2000, the US EPA issued a determination that coal- and oil-fired electric generating units should be regulated for emissions of mercury and hazardous air pollutants. The US EPA will issue proposed rules by December 2003 and final rules by December 2004. The impact of the regulatory determination cannot be determined at this time.

Other Matters

A wholly-owned captive subsidiary of DPL provides insurance coverage solely to DPL including, among other coverages, business interruption and specific risk coverage with respect to environmental law and electric deregulation. "Insurance Claims and Costs" on the Consolidated Balance Sheet includes insurance reserves of approximately \$87 million for this coverage based on actuarial methods and loss experience data. Such reserves are determined, in the aggregate, based on a reasonable estimation of probable insured events occurring. There is uncertainty associated with the loss estimates, and actual results could differ from the estimates. Modification of these loss estimates based on experience and changed circumstances are reflected in the period in which the estimate is reevaluated. As the outcome of electric deregulation becomes known during the three-year regulatory transition period ending December 31, 2003, policy payments from the captive subsidiary to DP&L, receivables for insurance claims for DP&L, or the release of the appropriate reserves will occur and be reflected in income. In 2001, a \$29 million receivable was recognized by DP&L for insurance claims under its business interruption policy.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") that addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective for DPL as of January 1, 2003. DPL has not yet determined the extent to which its financial condition or results of operations may be affected by the implementation of this accounting standard.

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

The information required by this item of Form 10-K is set forth in the Market Risk section under Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8 – Financial Statements and Supplementary Data - Amended

DPL Inc.
Consolidated Statement of Results of Operations

| \$ in millions except per share amounts | For the years ended December 31, | | |
|---|----------------------------------|-----------------|-----------------|
| | 2001 | 2000 | 1999 |
| | As Restated | | |
| Revenues | | | |
| Electric revenues | \$1,186.2 | \$1,108.0 | \$1,056.0 |
| Gas revenues (Note 3) | - | 183.8 | 215.0 |
| Other revenues, net of fuel costs | <u>13.4</u> | <u>13.1</u> | <u>12.7</u> |
| | <u>1,199.6</u> | <u>1,304.9</u> | <u>1,283.7</u> |
| Operating expenses | | | |
| Fuel and purchased power | 305.0 | 268.2 | 263.2 |
| Gas purchased for resale (Note 3) | - | 116.9 | 129.9 |
| Operation and maintenance | 163.8 | 194.0 | 187.4 |
| Depreciation and amortization | 127.3 | 135.6 | 136.5 |
| Amortization of regulatory assets, net (Note 4) | 46.9 | 16.3 | 24.9 |
| General taxes | <u>99.8</u> | <u>129.2</u> | <u>136.6</u> |
| Total operating expenses | <u>742.8</u> | <u>860.2</u> | <u>878.5</u> |
| <i>Operating Income</i> | <u>456.8</u> | <u>444.7</u> | <u>405.2</u> |
| Investment income | 25.2 | 85.9 | 47.6 |
| Interest expense | (137.0) | (140.3) | (110.5) |
| Trust preferred distributions by subsidiary (Note 8) | (39.5) | (87.3) | - |
| Other income (deductions) (Note 3) | <u>2.7</u> | <u>138.5</u> | <u>(10.1)</u> |
| <i>Income Before Income Taxes, Extraordinary Item, and Cumulative Effect of Accounting Change</i> | <u>308.2</u> | <u>441.5</u> | <u>332.2</u> |
| Income taxes | <u>111.3</u> | <u>156.6</u> | <u>128.0</u> |
| <i>Income Before Extraordinary Item and Cumulative Effect of Accounting Change</i> | <u>196.9</u> | <u>284.9</u> | <u>204.2</u> |
| Extraordinary item, net of tax (Note 4) | - | (41.4) | - |
| Cumulative effect of accounting change, net of tax (Note 1) | <u>1.0</u> | <u>-</u> | <u>-</u> |
| <i>Net Income</i> | <u>\$ 197.9</u> | <u>\$ 243.5</u> | <u>\$ 204.2</u> |
| Average Number of Common Shares | | | |
| Outstanding (millions) | | | |
| Basic | 119.1 | 127.7 | 151.4 |
| Diluted | 126.6 | 132.9 | 151.4 |
| Earnings Per Share of Common Stock – Basic | | | |
| Income before extraordinary item and accounting change | \$ 1.65 | \$ 2.23 | \$ 1.35 |
| change | | | |
| Extraordinary item | - | (0.32) | - |
| Cumulative effect of accounting change | <u>0.01</u> | <u>-</u> | <u>-</u> |
| Net income | <u>\$ 1.66</u> | <u>\$ 1.91</u> | <u>\$ 1.35</u> |
| Earnings Per Share of Common Stock – Diluted | | | |
| Income before extraordinary item and accounting change | \$ 1.56 | \$ 2.14 | \$ 1.35 |
| change | | | |
| Extraordinary item | - | (0.31) | - |
| Cumulative effect of accounting change | <u>0.01</u> | <u>-</u> | <u>-</u> |
| Net income | <u>\$ 1.57</u> | <u>\$ 1.83</u> | <u>\$ 1.35</u> |
| Dividends Paid Per Share of Common Stock | <u>\$ 0.94</u> | <u>\$ 0.94</u> | <u>\$ 0.94</u> |

See Notes to Consolidated Financial Statements.

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DPL Inc.
Consolidated Statement of Cash Flows

| \$ in millions | For the years ended December 31, | | |
|--|----------------------------------|-----------------|-----------------|
| | 2001 | 2000 | 1999 |
| Operating Activities | | | |
| Cash received from utility customers | \$1,180.2 | \$1,295.3 | \$1,277.8 |
| Other operating cash receipts | 245.5 | 188.1 | 98.3 |
| Cash paid for: | | | |
| Fuel and purchased power | (320.2) | (252.3) | (263.8) |
| Purchased gas | (207.4) | (287.6) | (190.1) |
| Operation and maintenance labor | (71.4) | (83.8) | (75.1) |
| Nonlabor operating expenditures | (118.8) | (207.2) | (121.7) |
| Interest and trust preferred distributions | (155.1) | (160.1) | (97.4) |
| Income taxes | (102.8) | (149.0) | (109.0) |
| General taxes | <u>(140.1)</u> | <u>(139.9)</u> | <u>(137.0)</u> |
| Net cash provided by operating activities | <u>309.9</u> | <u>203.5</u> | <u>382.0</u> |
| Investing Activities | | | |
| Capital expenditures | (338.0) | (329.3) | (170.6) |
| Purchases of fixed income and equity securities | (316.1) | (344.6) | (479.8) |
| Sales of fixed income and equity securities | 317.6 | 199.7 | 215.5 |
| Proceeds from sale of natural gas retail distribution operations, net (Note 3) | <u>(90.9)</u> | <u>468.2</u> | <u>-</u> |
| Net cash used for investing activities | <u>(427.4)</u> | <u>(6.0)</u> | <u>(434.9)</u> |
| Financing Activities | | | |
| Issuance of long-term debt, net of issue costs (Note 9) | 395.9 | 421.0 | 497.4 |
| Issuance (retirement) of short-term debt, net | 12.0 | (294.1) | 99.2 |
| Retirement of long-term debt | (6.4) | (5.4) | (241.6) |
| Dividends paid on common stock | (112.0) | (121.3) | (142.5) |
| Purchase of treasury stock (Note 7) | (35.8) | (698.9) | (61.4) |
| Issuance of trust preferred securities by subsidiary, net of issue costs (Note 8) | 289.0 | 478.8 | - |
| Redemption of trust preferred securities by subsidiary (Note 8) | (550.0) | - | - |
| Issuance of warrants, net of issue costs (Note 7) | - | 47.6 | - |
| Net cash provided by (used for) financing activities | <u>(7.3)</u> | <u>(172.3)</u> | <u>151.1</u> |
| Cash and temporary cash investments - | | | |
| Net change | (124.8) | 25.2 | 98.2 |
| Balance at beginning of year | <u>137.1</u> | <u>111.9</u> | <u>13.7</u> |
| Balance at end of year | <u>\$ 12.3</u> | <u>\$ 137.1</u> | <u>\$ 111.9</u> |

See Notes to Consolidated Financial Statements.

DPL Inc.
Consolidated Balance Sheet

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| \$ in millions | At December 31, 2001 | 2000 |
|--|-------------------------|------------------|
| | As Restated | |
| Assets | | |
| Property | | |
| Property | \$4,176.6 | \$3,853.4 |
| Less: Accumulated depreciation and amortization | <u>(1,694.3)</u> | <u>(1,586.4)</u> |
| Net property | <u>2,482.3</u> | <u>2,267.0</u> |
| Current Assets | | |
| Cash and temporary cash investments | 12.3 | 137.1 |
| Accounts receivable, less provision for uncollectible accounts of \$12.5 and \$6.9, respectively | 164.6 | 241.6 |
| Inventories, at average cost | 61.6 | 46.0 |
| Prepaid taxes | 54.8 | 65.4 |
| Other | <u>60.0</u> | <u>45.5</u> |
| Total current assets | <u>353.3</u> | <u>535.6</u> |
| Other Assets | | |
| Financial assets | | |
| Public Securities | 183.1 | 244.0 |
| Private Securities under the Equity Method | 515.4 | 576.2 |
| Private Securities under the Cost Method | <u>444.3</u> | <u>487.8</u> |
| | 1,142.8 | 1,308.0 |
| Income taxes recoverable through future revenues | 39.2 | 49.4 |
| Other regulatory assets | 99.7 | 146.4 |
| Other | <u>158.6</u> | <u>159.2</u> |
| Total other assets | <u>1,440.3</u> | <u>1,663.0</u> |
| Total Assets | <u>\$4,275.9</u> | <u>\$4,465.6</u> |
| Capitalization and Liabilities | | |
| Capitalization | | |
| Common shareholders' equity | | |
| Common stock | \$ 1.3 | \$ 1.3 |
| Other paid-in capital, net of treasury stock | - | 19.5 |
| Warrants | 50.0 | 50.0 |
| Common stock held by employee plans | (93.5) | (100.0) |
| Accumulated other comprehensive income | (13.2) | 107.5 |
| Earnings reinvested in the business | <u>891.1</u> | <u>814.1</u> |
| Total common shareholders' equity | 835.7 | 892.4 |
| Preferred stock | 22.9 | 22.9 |
| Preferred stock subject to mandatory redemption | 0.1 | 0.1 |
| Company obligated mandatorily redeemable trust preferred securities of subsidiary holding solely parent debentures (Note 8) | 292.4 | 550.0 |
| Long-term debt (Note 9) | <u>2,150.8</u> | <u>1,758.5</u> |
| Total capitalization | <u>3,301.9</u> | <u>3,223.9</u> |
| Current Liabilities | | |
| Accounts payable | 115.3 | 140.2 |
| Accrued taxes | 84.7 | 223.6 |
| Accrued interest | 51.3 | 42.4 |
| Short-term debt | 12.0 | - |
| Other | <u>32.9</u> | <u>22.9</u> |
| Total current liabilities | <u>296.2</u> | <u>429.1</u> |
| Deferred Credits and Other | | |
| Deferred taxes | 343.9 | 414.8 |
| Unamortized investment tax credit | 58.0 | 60.3 |
| Insurance and claims costs | 123.6 | 130.9 |
| Other | <u>152.3</u> | <u>206.6</u> |
| Total deferred credits and other | <u>677.8</u> | <u>812.6</u> |
| Contingencies (Note 16) | | |
| Total Capitalization and Liabilities | <u>\$4,275.9</u> | <u>\$4,465.6</u> |
| See Notes to Consolidated Financial Statements. | | |

DPL Inc.
Consolidated Statement of Shareholders' Equity

| \$ in millions | | Common Stock (a) | | Other Paid-in Capital | Warrants | Common Stock Held by Employee Plans | Accumulated Other Comprehensive Income | Earnings Reinvested in the Business | Total |
|----------------|--|-----------------------|--------|-----------------------------|----------|---|---|--|-----------|
| | | Outstanding Shares | Amount | | | | | | |
| 1999: | Beginning balance | 161,264,604 | \$1.6 | \$799.0 | \$ - | \$(94.4) | \$ 47.2 | \$630.3 | \$1,383.7 |
| | Comprehensive income: | | | | | | | | |
| | Net income | | | | | | | 204.2 | |
| | Net change in unrealized gains/(losses) on financial instruments, net of reclassification adjustments, after tax (b) | | | | | | 62.6 | | |
| | Total comprehensive income | | | | | | | | 266.8 |
| | Common stock dividends | | | | | | | (142.5) | (142.5) |
| | Treasury stock (c) | (3,463,200) | - | (61.4) | | | | | (61.4) |
| | Employee stock plans | | | 1.3 | | 3.7 | | | 5.0 |
| | Other | | | 0.1 | | | | (0.1) | - |
| | Ending balance | 157,801,404 | 1.6 | 739.0 | - | (90.7) | 109.8 | 691.9 | 1,451.6 |
| 2000: | Comprehensive income: | | | | | | | | |
| | Net income | | | | | | | 243.5 | |
| | Net change in unrealized gains/(losses) on financial instruments, net of reclassification adjustments, after tax (b) | | | | | | (2.3) | | |
| | Total comprehensive income | | | | | | | | 241.2 |
| | Common stock dividends | | | | | | | (121.3) | (121.3) |
| | Issuance of securities | | | (23.6) | 50.0 | | | | 26.4 |
| | Treasury stock (c) | (30,027,000) | (0.3) | (698.6) | | | | | (698.9) |
| | Employee stock plans | | | 2.6 | | (9.3) | | | (6.7) |
| | Other | | | 0.1 | | | | | 0.1 |
| | Ending balance | 127,774,404 | 1.3 | 19.5 | 50.0 | (100.0) | 107.5 | 814.1 | 892.4 |
| 2001: | As Restated | | | | | | | | |
| | Comprehensive income: | | | | | | | | |
| | Net income | | | | | | | 197.9 | |
| | Net change in unrealized gains/(losses) on financial instruments, net of reclassification adjustments, after tax (b) | | | | | | (120.7) | | |
| | Total comprehensive income | | | | | | | | 77.2 |
| | Common stock dividends | | | | | | | (112.0) | (112.0) |
| | Issuance of securities | | | (3.3) | | | | | (3.3) |
| | Treasury stock (c) | (1,273,000) | - | (27.1) | | | | (8.8) | (35.9) |
| | Tax benefit on early redemption of trust preferred securities | | | 8.5 | | | | | 8.5 |
| | Employee stock plans | | | 2.3 | | 6.5 | | | 8.8 |
| | Other | | | 0.1 | | | | (0.1) | - |
| | Ending balance | 126,501,404 | \$1.3 | \$ - | \$50.0 | \$(93.5) | \$(13.2) | \$891.1 | \$835.7 |

(a) \$0.01 par value, 250,000,000 shares authorized.

(b) Net of taxes of \$33.7, \$(1.2), and \$(57.7) million in 1999, 2000, and 2001, respectively.

(c) Treasury stock is recorded at cost with the excess over par value shown as a reduction to "Other paid-in capital" or to "Earnings reinvested in the business." The total shares held in treasury at December 31, 2001 were 37,222,807.

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies and Overview

The accounts of DPL Inc. ("DPL") and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. The Dayton Power and Light Company ("DP&L") and DPL Energy are principal subsidiaries. These statements are presented in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions related to future events. Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation.

Restatement of Financial Results

As publicly announced on August 14 2002, DPL's independent accountant, PricewaterhouseCoopers, has required use of a different accounting method to recognize the investment results and valuation of the Company's financial asset portfolio. DPL agrees with this accounting method, which has been applied retroactively to 2001, and that recognizes income or loss from the financial asset portfolio in accordance with the equity and cost method of accounting. It is a non-cash change that adjusts the timing of when unrealized gains and losses are recognized in the income statement. Previously, they were reflected on the balance sheet in accumulated other comprehensive income. The revision resulted in a reduction in full year 2001 earnings of \$19 million or \$0.16 per share and an increase in publicly announced earnings for the first six months of 2002 of \$23 million or \$0.20 per share. DPL's financial asset balance remains at \$1.1 billion at December 31, 2001. The restated consolidated financial statement of results of operations, shareholders' equity, and balance sheet as of and for the year ended December 31, 2001 are included herein. Comparisons of restated and previously reported financial statement items for these periods are outlined below.

| | December 31 2001 As Restated | December 31 2001 As Previously Reported |
|---|------------------------------------|--|
| \$ in millions except per share amounts | | |
| Consolidated Statement of Results of Operations | | |
| Total Revenue | \$1,199.6 | \$1,199.6 |
| Total operating expenses | 742.8 | 742.8 |
| Investment income | 25.2 | 53.8 |
| Income before income taxes, extraordinary item, and cumulative effect of accounting change | 308.2 | 336.8 |
| Income taxes | 111.3 | 121.3 |
| Income before extraordinary item and cumulative effect of accounting change | 196.9 | 215.5 |
| Net Income | 197.9 | 216.5 |
| Earnings Per Share of Common Stock – Basic | | |
| Income before extraordinary item and accounting change | 1.65 | 1.81 |
| Net income | 1.66 | 1.82 |
| Earnings Per Share of Common Stock – Diluted | | |
| Income before extraordinary item and accounting change | 1.56 | 1.70 |
| Net income | 1.57 | 1.71 |
| Consolidated Balance Sheet | | |
| Assets | | |
| Net property | \$2,482.3 | \$2,482.3 |
| Total current assets | 353.3 | 353.3 |
| Financial assets | 1,142.8 | 1,120.4 |
| Total other assets | 1,440.3 | 1,417.9 |
| Total assets | 4,275.9 | 4,253.5 |
| Capitalization and Liabilities | | |
| Accumulated other comprehensive income | (13.2) | (46.4) |
| Earnings reinvested in the business | 891.1 | 909.7 |
| Total shareholders' equity | 835.7 | 821.1 |
| Total capitalization | 3,301.9 | 3,287.3 |
| Total current liabilities | 296.2 | 296.2 |
| Deferred taxes | 343.9 | 336.1 |
| Total deferred credits and other | 677.8 | 670.0 |
| Total capitalization and liabilities | 4,275.9 | 4,253.5 |
| Consolidated Statement of Shareholders' Equity | | |
| Net income | \$ 197.9 | \$ 216.5 |
| Net change in unrealized gains/(losses) on financial instruments, net of reclassification adjustments, after tax | (120.7) | (153.9) |
| Total Comprehensive income | 77.2 | 62.6 |

Revenues and Fuel

For periods prior to January 1, 2001, revenues include amounts charged to customers through fuel and gas recovery clauses, which were adjusted periodically for changes in such costs. Related costs that were recoverable or refundable in future periods were deferred along with the related income tax effects. As of February 2000, DP&L's Electric Fuel Component ("EFC") was fixed at 1.30¢ per kilowatt-hour through the end of the year and the deferral of over/under-recovered fuel costs was no longer permitted. All remaining deferred fuel balances were amortized to expense in 2000. All gas-deferred amounts were included in the sale of the natural gas retail distribution operations (see Note 3). Beginning January 1, 2001, the EFC rate of 1.30¢ became

part of the base generation rate. Also included in revenues are amounts charged to customers through a surcharge for recovery of arrearages from certain eligible low-income households.

DP&L records revenue for services provided but not yet billed to more closely match revenues with expenses. Accounts receivable on the Consolidated Balance Sheet includes unbilled revenue of \$55.4 million in 2001 and \$53.5 million in 2000.

Other revenues, net of fuel costs include sales by DPL's natural gas supply management subsidiary. These revenues were recorded in the period when the gas was delivered. Fuel costs associated with these sales were \$155.4, \$131.2, and \$54.3 million in 2001, 2000, and 1999, respectively. On June 30, 2001, DPL sold substantially all of its customer contracts at its natural gas supply management subsidiary. The sale of these contracts did not have a material effect on overall results.

Property, Maintenance and Depreciation

Property is shown at its original cost. Cost includes direct labor and material and allocable overhead costs.

For the majority of the depreciable property, when a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at an average rate of 3.3%, 3.5%, and 3.6% for 2001, 2000, and 1999, respectively.

DPL and its subsidiaries lease office equipment and office space under operating leases with varying terms. Future minimum rental payments under these operating leases at December 31, 2001 are not material.

Repairs and Maintenance

Costs associated with all planned major work and maintenance activities, primarily power plant outages, are recognized at the time the work is performed. Outage costs include labor, materials and supplies and outside services required to maintain equipment and facilities. These costs are either capitalized or expensed based on defined criteria identifying specific units of property to be capitalized.

Income Taxes

Deferred income taxes are provided for all temporary differences between the financial statement basis and the tax basis of assets and liabilities using the enacted tax rate. For rate-regulated operations, additional deferred income taxes and offsetting regulatory assets or liabilities are recorded to recognize that the income taxes will be recoverable/refundable through future revenues. Investment tax credits, previously deferred, are being amortized over the lives of the related properties.

Consolidated Statement of Cash Flows

Temporary cash investments consist of liquid investments with an original maturity of three months or less.

Insurance and Claims Costs

A wholly-owned captive subsidiary of DPL provides insurance coverage solely to DPL including, among other coverages, business interruption and specific risk coverage with respect to environmental law and electric deregulation. "Insurance Claims and Costs" on the Consolidated Balance Sheet includes insurance reserves of approximately \$87 million for this coverage based on actuarial methods and loss experience data. Such reserves are determined, in the aggregate, based on a reasonable estimation of probable insured events occurring. There is uncertainty associated with the loss estimates, and actual results could differ from the estimates. Modification of these loss estimates based on experience and changed circumstances are reflected in the period in which the estimate is reevaluated. As the outcome of electric deregulation becomes known during the three-year regulatory transition period ending December 31, 2003, policy payments from the captive subsidiary to DP&L, receivables for insurance claims for DP&L, or the release of the appropriate reserves will occur and be reflected in income. In 2001, a \$29 million receivable was recognized by DP&L as "other income (deductions)" for insurance claims under its business interruption policy.

Financial Assets

DPL accounts for its investments in debt and equity securities of publicly traded entities by classifying the securities into different categories, held-to-maturity and available-for-sale. Available-for-sale securities are carried at fair value and unrealized gains and losses, net of deferred income taxes, are presented as a separate component of shareholders' equity for those investments. Financial instruments classified as held-to-maturity are carried at amortized cost. The value of public equity security investments is based upon market quotations. The cost basis for equity security and fixed maturity investments is average cost and amortized cost, respectively.

DPL accounts for its private investments under either the cost or equity method of accounting. Under the cost method, DPL's private investments are carried at cost unless an other than temporary decline in value is recognized and income is recognized as distributed by the private equity fund. Under the equity method, private investments are carried at DPL's share of the capital of the private equity fund, which reflects the value of the underlying companies and DPL recognizes its share of the income reported by the private equity fund, which includes unrealized gains and losses.

Financial Derivatives

DPL adopted the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging activity," as amended ("SFAS No. 133") as of January 1, 2001. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and be measured at fair value, and changes in the fair value be recorded in earnings, unless they are designated as a cash flow hedge of a

forecasted transaction. As a result of adopting this accounting standard, DPL recorded a cumulative effect of accounting change of \$1.0 million in income, net of tax, or \$0.01 per share of common stock.

DPL uses forward and option purchase contracts as a hedge against the risk of changes in cash flows associated with expected electricity purchases. These purchases are required to meet full load requirements during times of peak demand or during planned and unplanned generation facility outages. DPL also holds forward sales contracts that hedge against the risk of changes in cash flows associated with power sales during periods of projected generation facility availability. Prior to July 1, 2001, DPL recorded the fair value of all these contracts as "Other assets" or "Other liabilities" on the Consolidated Balance Sheet with an offset to "Accumulated other comprehensive income," which is recognized as earnings in the month of physical receipt or delivery of power. In June 2001, the FASB concluded that electric utilities could apply the normal purchases and sales exception for option-type contracts and forward contracts in electricity subject to specific criteria for the power buyers and sellers. Accordingly, DPL began to apply the normal purchase and sales exception as defined in SFAS No. 133 as of July 1, 2001 and currently accounts for these contracts upon settlement. This change did not have a material impact on DPL's financial position or results of operations.

DPL also holds emission allowance options through 2004 that are classified as derivatives not subject to hedge accounting. The fair value of these contracts is reflected as "Other assets" or "Other liabilities" on the Consolidated Balance Sheet and changes in fair value are recorded as "Other income (deductions)" on the Consolidated Statement of Results of Operations. The impact on net income was immaterial during 2001.

2. Recent Accounting Standards

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") that addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective for DPL as of January 1, 2003. DPL has not yet determined the extent to which its financial condition or results of operations may be affected by the implementation of this accounting standard.

3. Sale of the Gas Business

In October 2000, DP&L sold its natural gas retail distribution assets and certain liabilities for \$468 million in cash. The transaction resulted in a pre-tax gain of \$183 million (\$121 million net of tax), which is reflected in "Other income (deductions)" on the Consolidated Statement of Results of Operations. Proceeds from the sale were used to finance the regional generation expansion and reduce outstanding short-term debt.

During the first quarter of 2001, investing cash flows included a cash payment of \$90.9 million for income taxes associated with the gain on the sale.

4. Regulatory Matters

DP&L applies the provisions of FASB Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS No. 71") to its regulated operations. This accounting standard provides for the deferral of costs authorized for future recovery by regulators. Based on existing regulatory authorization, regulatory assets on the Consolidated Balance Sheet include:

| \$ in millions | At December 31, | |
|--|-----------------|----------------|
| | 2001 | 2000 |
| Regulatory transition costs (a) | \$ 97.2 | \$144.8 |
| Income taxes recoverable through future revenues (b) | 39.2 | 49.4 |
| Other costs (b) | <u>2.5</u> | <u>1.6</u> |
| Total | <u>\$138.9</u> | <u>\$195.8</u> |

(a) During 1999, legislation was enacted in Ohio, which restructures the state's electric utility industry ("the Legislation"). Beginning in 2001, electric generation, aggregation, power marketing and power brokerage services supplied to Ohio retail customers are not subject to regulation by the Public Utilities Commission of Ohio ("PUCO"). As required by the Legislation, DP&L filed its transition plan ("the Plan") at the PUCO in 1999, which included an application for DP&L to receive transition revenues to recover regulatory assets and other potentially stranded costs. Final PUCO approval of the Plan was received in September 2000.

The Plan, which began in January 2001, provides for a three-year transition period ("the Transition Period") ending December 31, 2003, at which time DP&L's generation assets will be fully merchant. As a result of the PUCO final approval of the transition plan and tariff schedules, the application of SFAS No. 71 was discontinued for generation-related assets. Transmission and distribution services, which continue to be regulated based on PUCO-approved cost based rates, continue to apply SFAS No. 71. The Plan, as approved, provides for the recovery of a portion of DP&L's transition costs, including generation-related regulatory assets, during the Transition Period. Based on DP&L's assessment of recoveries of regulatory assets during the transition period, a \$63.7 million before tax benefits (\$41.4 million net of taxes) reduction of generation-related regulatory assets was recorded in the third quarter of 2000 as an extraordinary item in accordance with FASB Statement of Financial Accounting Standards No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71" and other generation-related regulatory assets were reclassified to the "Regulatory transition costs" asset.

(b) Certain deferred costs remain authorized for recovery by regulators. These relate to DP&L's electric transmission and distribution operations and are being amortized over the recovery period of the assets involved.

5. Income Taxes

| \$ in millions | For the years ended December 31, | | |
|---|-------------------------------------|----------------|----------------|
| | 2001 As Restated | 2000 | 1999 |
| Computation of Tax Expense | | | |
| Federal income tax (a) | \$107.5 | \$154.3 | \$116.1 |
| State income tax | 1.9 | 2.0 | 1.3 |
| Increases (decreases) in tax from- | | | |
| Regulatory assets | - | - | 4.4 |
| Depreciation | 4.5 | 6.5 | 13.1 |
| Investment tax credit | (2.3) | (6.1) | (3.0) |
| amortized | | | |
| Other, net | (0.3) | (0.1) | (3.9) |
| Total tax expense | <u>\$111.3</u> | <u>\$156.6</u> | <u>\$128.0</u> |
| Components of Tax Expense | | | |
| Taxes currently payable | \$100.7 | \$236.1 | \$112.6 |
| Deferred taxes-- | | | |
| Regulatory assets | (12.5) | (13.3) | (5.8) |
| Liberalized depreciation and amortization | 14.8 | (28.2) | 8.6 |
| Fuel and gas costs | 1.1 | (7.2) | 9.2 |
| Insurance and claims costs | (0.5) | 1.2 | 5.2 |
| Recapitalization | - | (16.8) | - |
| Other | 10.0 | (9.1) | 1.2 |
| Deferred investment tax credit, net | (2.3) | (6.1) | (3.0) |
| Total tax expense | <u>\$111.3</u> | <u>\$156.6</u> | <u>\$128.0</u> |

Components of Deferred Tax Assets and Liabilities

| \$ in millions | At December 31, | |
|--------------------------------|---------------------|------------------|
| | 2001 As Restated | 2000 |
| Non-Current Liabilities | | |
| Depreciation/property basis | \$(400.7) | \$(406.8) |
| Income taxes recoverable | (14.4) | (17.3) |
| Regulatory assets | (38.6) | (50.6) |
| Investment tax credit | 20.7 | 21.1 |
| Other | 89.1 | 38.8 |
| Net non-current liability | <u>\$(343.9)</u> | <u>\$(414.8)</u> |
| Net Current Asset | <u>\$ 4.3</u> | <u>\$ 11.1</u> |

(a) The statutory rate of 35% was applied to pre-tax income before preferred dividends.

6. Pensions and Postretirement Benefits

Pensions

Substantially all DP&L employees participate in pension plans paid for by DP&L. Employee benefits are based on their years of service, age, compensation and year of

retirement. The plans are funded in amounts actuarially determined to provide for these benefits.

The following tables set forth the plans' obligations, assets and amounts recorded in "Other assets" on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2001 | 2000 |
|---|----------------|----------------|
| <u>Change in Projected Benefit Obligation</u> | | |
| Benefit obligation, January 1 | \$273.7 | \$ 272.8 |
| Service cost | 4.3 | 5.1 |
| Interest cost | 17.3 | 18.9 |
| Amendments | 0.2 | 21.1 |
| Special termination benefit (a) | 5.3 | - |
| Curtailment (b) | - | (3.1) |
| Actuarial (gain) loss | (13.4) | (26.6) |
| Benefits paid | (16.2) | (14.5) |
| Benefit obligation, December 31 | <u>271.2</u> | <u>273.7</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 361.3 | 421.3 |
| Actual return on plan assets | (63.8) | (45.5) |
| Benefits paid | (16.2) | (14.5) |
| Fair value of plan assets, December 31 | <u>281.3</u> | <u>361.3</u> |
| Plan assets in excess of projected benefit obligation | 10.1 | 87.6 |
| Unrecognized net (gain) loss | 44.1 | (45.8) |
| Unamortized prior service cost | 18.6 | 23.2 |
| Net pension assets | <u>\$ 72.8</u> | <u>\$ 65.0</u> |

Assumptions used in determining the projected benefit obligation were as follows:

| | 2001 | 2000 | 1999 |
|--------------------------------|-------|-------|-------|
| Discount rate for obligations | 7.25% | 7.25% | 6.25% |
| Expected return on plan assets | 9.00% | 9.00% | 7.50% |
| Average salary increases | 4.00% | 5.00% | 5.00% |

The following table sets forth the components of pension expense (portions of which were capitalized):

| \$ in millions | 2001 | 2000 | 1999 |
|--|-----------------|------------------|-----------------|
| <u>Expense for Year</u> | | | |
| Service cost | \$ 4.3 | \$ 5.1 | \$ 5.9 |
| Interest cost | 17.3 | 18.9 | 16.2 |
| Expected return on plan assets | (32.9) | (33.9) | (25.3) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (6.6) | (5.0) | (0.5) |
| Prior service cost | 3.5 | 4.2 | 2.1 |
| Transition obligation | - | (2.8) | (4.3) |
| Net pension cost | (14.4) | (13.5) | (5.9) |
| Special termination benefit (a) | 5.3 | - | - |
| Curtailment (b) | 1.4 | 2.1 | - |
| Net pension cost after special termination benefit and curtailment | <u>\$ (7.7)</u> | <u>\$ (11.4)</u> | <u>\$ (5.9)</u> |

(a) The special termination benefit was recognized as a result of 63 employees who participated in a voluntary early retirement program and retired as of July 1, 2001.

(b) The curtailment in 2001 was recognized as a result of a non-union workforce reduction program that was completed in November 2001. The curtailment in 2000 was recognized as a result of the sale of the natural gas retail distribution operations on October 31, 2000 (see Note 3).

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Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. DP&L has funded the union-eligible health benefit using a Voluntary Employee Beneficiary Association Trust.

The following tables set forth the accumulated postretirement benefit obligation ("APBO"), assets and funded status amounts recorded in "Other deferred credits" on the Consolidated Balance Sheet at December 31:

| \$ in millions | 2001 | 2000 |
|--|---------------|---------------|
| <u>Change in APBO</u> | | |
| Benefit obligation, January 1 | \$30.8 | \$32.4 |
| Interest cost | 2.2 | 2.2 |
| Curtailment (a) | - | (0.1) |
| Actuarial (gain) loss | 2.6 | (1.0) |
| Benefits paid | (2.6) | (2.7) |
| Benefit obligation, December 31 | <u>33.0</u> | <u>30.8</u> |
| <u>Change in Plan Assets</u> | | |
| Fair value of plan assets, January 1 | 10.9 | 10.9 |
| Actual return on plan assets | 0.9 | 1.0 |
| Company contributions | 1.8 | 1.7 |
| Benefits paid | (2.7) | (2.7) |
| Fair value of plan assets, December 31 | <u>10.9</u> | <u>10.9</u> |
| APBO in excess of plan assets | 22.1 | 19.9 |
| Unamortized transition obligation | (3.9) | (6.9) |
| Actuarial gain | <u>17.6</u> | <u>21.8</u> |
| Accrued postretirement benefit liability | <u>\$35.8</u> | <u>\$34.8</u> |

Assumptions used in determining the projected benefit obligation were as follows:

| | 2001 | 2000 | 1999 |
|--------------------------------|-------|-------|-------|
| Discount rate for obligations | 7.25% | 7.25% | 6.25% |
| Expected return on plan assets | 7.00% | 7.00% | 5.70% |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.0% and 7.5% for 2001 and 2000, respectively, and decreases to 5.0% by 2007. A one percentage point change in the assumed health care trend rate would affect the service and interest cost by \$0.1 million. A one percentage point increase in the assumed health care trend rate would increase the postretirement benefit obligation by \$1.9 million; and a one percentage point decrease would decrease the benefit obligation by \$1.7 million.

The following table sets forth the components of postretirement benefit expense:

| \$ in millions | 2001 | 2000 | 1999 |
|--------------------------------|--------|--------|--------|
| <u>Expense for Year</u> | | | |
| Interest cost | \$ 2.2 | \$ 2.2 | \$ 2.0 |
| Expected return on plan assets | (0.7) | (0.7) | (0.7) |
| Amortization of unrecognized: | | | |
| Actuarial (gain) loss | (1.6) | (2.2) | (2.4) |

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| | | | |
|---|---------------|---------------|---------------|
| Transition obligation | <u>2.9</u> | <u>2.9</u> | <u>3.0</u> |
| Postretirement benefit cost | <u>2.8</u> | <u>2.2</u> | <u>1.9</u> |
| Curtailment (a) | <u>-</u> | <u>0.1</u> | <u>-</u> |
| Postretirement benefit cost after curtailment | <u>\$ 2.8</u> | <u>\$ 2.3</u> | <u>\$ 1.9</u> |

(a) The curtailment was recognized as a result of the sale of the natural gas retail distribution operations on October 31, 2000 (see Note 3).

7. Common Shareholders' Equity

DPL has a leveraged Employee Stock Ownership Plan ("ESOP") to fund matching contributions to DP&L's 401(k) retirement savings plan and certain other payments to full-time employees. Common shareholders' equity is reduced for the cost of 4,746,900 unallocated shares held by the trust and for 2,820,353 shares related to another employee plan. These shares reduce the number of common shares used in the calculation of earnings per share.

Dividends received by the ESOP are used to repay the loan to DPL. As debt service payments are made on the loan, shares are released on a pro-rata basis. Dividends on the allocated shares are charged to retained earnings, and dividends on the unallocated shares reduce interest and principal on the loan.

Cumulative shares allocated to employees and outstanding for the calculation of earnings per share were 2,312,925 in 2001; 2,143,871 in 2000; and 1,933,653 in 1999. Compensation expense, which is based on the fair value of the shares allocated, amounted to \$4.7 million in 2001, \$3.8 million in 2000, and \$3.5 million in 1999.

DPL had 902,490 authorized but unissued shares reserved for its dividend reinvestment plan at December 31, 2001. The plan provides that either original issue shares or shares purchased on the open market may be used to satisfy plan requirements.

DPL purchased 25 million shares of its common stock in a Dutch Auction self-tender in March 2000. Through December 31, 2001, DPL repurchased an additional 6.3 million shares under an authorized share repurchase program of up to 6.6 million shares. These shares are held as treasury stock.

In September 2001, DPL's Board of Directors renewed DPL's Shareholder Rights Plan, which was scheduled to expire on December 13, 2001. With the renewed plan, one right attached to each DPL Inc. common share outstanding at the close of business on December 13, 2001. The rights would separate from the common shares and become exercisable at the exercise price of \$130 per right in the event of certain attempted business combinations. The renewed plan is scheduled to expire on December 31, 2011.

As part of DPL's recapitalization transaction (see Note 8), 31.6 million warrants were issued, representing approximately 25% of DPL shares currently outstanding, with a term of 12 years, and an exercise price of \$21 per share. These warrants were sold for an aggregate purchase price of \$50 million. Pursuant to the warrant agreement,

DPL has reserved out of its authorized shares of common stock a number of shares sufficient to provide for the exercise in full of all outstanding warrants.

8. Preferred Stock

DPL Inc.: No par value, 8,000,000 shares authorized, 6,600,000 shares outstanding.

As part of DPL's recapitalization, 6.8 million shares of mandatorily redeemable voting preferred securities, redeemable par value of \$0.01 per share, were issued at an aggregate purchase price of \$68,000. These preferred securities carry voting rights for up to 4.9% of DPL's total voting rights and the nomination of one Board seat.

DP&L: \$25 par value, 4,000,000 shares authorized, no shares outstanding; and \$100 par value, 4,000,000 shares authorized, 228,508 shares without mandatory redemption provisions outstanding.

| Series/Rate | Current Redemption Price | Current Shares Outstanding | Par Value at December 31, 2001 and 2000 (\$ in millions) |
|-------------|--------------------------|----------------------------|---|
| A 3.75% | \$102.50 | 93,280 | \$ 9.3 |
| B 3.75% | \$103.00 | 69,398 | 7.0 |
| C 3.90% | \$101.00 | 65,830 | 6.6 |
| Total | | <u>228,508</u> | <u>\$22.9</u> |

The shares may be redeemed at the option of DP&L at the per share prices indicated, plus cumulative accrued dividends.

In February 2000, DPL entered into a series of recapitalization transactions including the issuance of \$550 million of a combination of voting preferred and trust preferred securities and warrants to an affiliate of investment company Kohlberg Kravis Roberts & Co. ("KKR"). The trust preferred securities sold to KKR had an aggregate face amount of \$550 million, were issued at an initial discounted aggregate price of \$500 million, had a maturity of 30 years (subject to acceleration six months after the exercise of the warrants), and paid distributions at a rate of 8.5% of the aggregate face amount per year. DPL recognized the entire trust preferred securities original issue discount of \$50 million in 2000. The proceeds from this recapitalization were used to finance the regional generation expansion, repurchase 31.3 million shares of DPL Inc. common shares, and reduce outstanding short-term debt.

In August 2001, DPL issued \$300 million of trust preferred securities at 8.125% and \$400 million of senior unsecured notes at 6.875%. The trust preferred securities have a term of 30 years and the senior unsecured notes have a term of 10 years. The proceeds from the sale of these securities were used to redeem \$550 million of the 8.5% trust preferred securities and for general corporate purposes including the retirement of short-term debt.

9. Long-term Debt, Notes Payable, and Compensating Balances

| \$ in millions | At December 31, | |
|--|------------------|------------------|
| | 2001 | 2000 |
| First mortgage bonds maturing: | | |
| 2024-2026 | \$ 446.0 | \$ 446.0 |
| 8.01% (a) | | |
| Pollution control series maturing | | |
| through 2027 6.43% (a) | <u>105.6</u> | <u>106.0</u> |
| | 551.6 | 552.0 |
| Guarantee of Air Quality Development | | |
| Obligations 6.10% Series due 2030 | 110.0 | 110.0 |
| Senior Notes 6.875% Series due 2011 | 400.0 | - |
| Senior Notes 6.25% Series due 2008 | 100.0 | 100.0 |
| Senior Notes 8.25% Series due 2007 | 425.0 | 425.0 |
| Senior Notes 6.67% Series due 2004 (b) | 500.0 | 500.0 |
| Notes maturing through 2007 - 7.83% | 63.0 | 70.0 |
| Obligation for capital lease | 5.4 | 4.9 |
| Unamortized debt discount and | | |
| premium (net) | <u>(4.2)</u> | <u>(3.4)</u> |
| Total | <u>\$2,150.8</u> | <u>\$1,758.5</u> |

(a) *Weighted average interest rates for 2001 and 2000.*

(b) *In March 2000, the interest rate adjusted from 6.32% to 6.67%*

The amounts of maturities and mandatory redemptions for first mortgage bonds, notes, and the capital lease are (in millions) \$8.1 in 2002, \$9.1 in 2003, \$511.1 in 2004, \$13.1 in 2005, and \$16.1 in 2006. Substantially all property of DP&L is subject to the mortgage lien securing the first mortgage bonds.

During 2001, \$400 million of a series of senior notes due 2011 were issued with an interest rate of 6.875%. The issuance was part of a refinancing in which the proceeds were used to redeem \$550 million of 8.5% trust preferred securities and retire short-term debt as discussed in Note 8.

During 2000, \$425 million of a series of senior notes due 2007 were issued with an interest rate of 8.25%. The proceeds were used to finance the regional generation expansion, repurchase 31.3 million shares of DPL Inc. common shares, and reduce outstanding short-term debt.

DPL and its subsidiaries have \$200 million available through revolving credit agreements with a consortium of banks. Facility fees are approximately \$0.3 million per year. The primary purpose of the revolving credit facilities is to provide back-up liquidity for the commercial paper program. At December 31, 2001 and 2000, DPL had no outstanding borrowings under these credit agreements.

DP&L has \$75.0 million available in short-term informal lines of credit. The commitment fees are immaterial. Borrowings at December 31, 2001 and 2000 were zero.

DPL had \$12 million outstanding in commercial paper at year-end 2001 at an interest rate of 3.2% and no commercial paper outstanding at year-end 2000. DP&L had no outstanding commercial paper balances at December 31, 2001 and 2000.

10. Employee Stock Plans

In 2000, DPL's Board of Directors adopted and its shareholders approved The DPL Inc. Stock Option Plan. On February 1, 2000, options were granted at an exercise price of \$21.00, which was above the market price of \$19.06 per share on that date. The exercise price of options granted after that date approximated the market price of the stock on the date of grant. Options granted represent three-year awards, vest five years from the grant date, and expire ten years from the grant date. At December 31, 2001, there were 767,500 options available for grant.

Summarized stock option activity was as follows:

| | 2001 | 2000 |
|---|-----------|-----------|
| Options granted at beginning of year | 7,610,000 | - |
| Granted | 127,500 | 7,610,000 |
| Exercised | - | - |
| Forfeited | (505,000) | - |
| Outstanding at year-end | 7,232,500 | 7,610,000 |
| Exercisable at year-end | - | - |
| Weighted average option prices per share: | | |
| At beginning of year | \$ 22.10 | \$ - |
| Granted | 27.17 | 22.10 |
| Exercised | - | - |
| Forfeited | 24.97 | - |
| Outstanding at year-end | 21.99 | 22.10 |
| Exercisable at year-end | \$ - | \$ - |

The weighted-average fair value of options granted was \$3.47 and \$3.65 per share in 2001 and 2000, respectively. The fair values of the options were estimated as of the dates of grant using a Black-Scholes option pricing model utilizing the following assumptions:

| | 2001 | 2000 |
|-------------------------|-------|-------|
| Volatility | 18.5% | 18.5% |
| Expected life (years) | 5.1 | 5.1 |
| Dividend yield rate | 3.6% | 3.5% |
| Risk-free interest rate | 4.5% | 6.8% |

DPL has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, compensation expense of \$2.3 million was recorded in 2001 and in 2000 for grants issued prior to the measurement date for accounting purposes. If DPL had used a fair-value method of accounting for stock-based compensation cost, reported net income for 2001 and 2000 would have been

\$196.3 and \$242.1 million, respectively. Basic earnings per share for 2001 and 2000 would have been \$1.64 and \$1.90, respectively, and diluted earnings per share for 2001 and 2000 would have been \$1.55 and \$1.82, respectively.

The following table reflects information about stock options outstanding at December 31, 2001:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | | Options Exercisable | |
|--------------------------|--------------------|--|---------------------------------|---------------------|---------------------------------|
| | | Weighted-Average Contractual Life (in years) | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| \$21.00-\$29.63 | 7,232,500 | 8.2 | \$21.99 | - | - |

11. Ownership of Facilities

DP&L and other Ohio utilities have undivided ownership interests in seven electric generating facilities and numerous transmission facilities. Certain expenses, primarily fuel costs for the generating units, are allocated to the owners based on their energy usage. The remaining expenses, as well as investments in fuel inventory, plant materials and operating supplies, and capital additions, are allocated to the owners in accordance with their respective ownership interests. As of December 31, 2001, DP&L had \$133 million of construction in progress at such facilities. DP&L's share of the operating cost of such facilities is included in the Consolidated Statement of Results of Operations, and its share of the investment in the facilities is included in the Consolidated Balance Sheet.

The following table presents DP&L's undivided ownership interest in such facilities at December 31, 2001:

| | DP&L Share | | DP&L Investment |
|---------------------------------------|---------------|--------------------------|---|
| | Ownership (%) | Production Capacity (MW) | Gross Plant in Service (\$ in millions) |
| Production Units: | | | |
| Beckjord Unit 6 | 50.0 | 210 | \$ 57 |
| Conesville Unit 4 | 16.5 | 129 | 31 |
| East Bend Station | 31.0 | 186 | 154 |
| Killen Station | 67.0 | 418 | 381 |
| Miami Fort Units 7&8 | 36.0 | 360 | 129 |
| Stuart Station | 35.0 | 823 | 260 |
| Zimmer Station | 28.1 | 365 | 996 |
| Transmission (at varying percentages) | | | 86 |

12. *Business Segment Reporting*

DPL is a diversified regional merchant energy company. DPL's principal subsidiaries are DP&L and DPL Energy. DP&L provides electric services to 500,000 retail customers in West Central Ohio. DP&L also sold and distributed natural gas until October 31, 2000, at which time it sold its natural gas retail distribution assets and certain liabilities (see Note 3). DPL Energy operates over 4,000 megawatts of generation capacity and markets wholesale energy throughout the eastern half of the United States.

In prior years, DPL had two reportable operating segments: Electric and Natural Gas. As a result of the sale of the natural gas retail distribution operations, the Electric segment is the remaining reportable operating segment. Assets and related costs associated with DPL's transmission and distribution and base load and peaking generation operations are managed and evaluated as a single operating segment. Amounts attributed to segments below the quantitative thresholds for separate disclosure are reported as "Other," which primarily includes a natural gas supply management subsidiary, street lighting services, insurance, and financial support services. On June 30, 2001, DPL sold substantially all of its customer contracts at its natural gas supply management subsidiary. The sale of these contracts did not have a material effect on overall results.

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| \$ in millions | For the years ended December 31, | | | |
|---|----------------------------------|------------------------|----------------|----------------|
| | 2001 | 2001 | 2000 | 1999 |
| | As Restated | As Previously Reported | | |
| Net revenues: | | | | |
| Electric | \$ 881.2 | \$ 881.2 | \$ 839.8 | \$ 792.8 |
| Natural Gas | - | - | 66.9 | 85.1 |
| Other | <u>13.4</u> | <u>13.4</u> | <u>13.1</u> | <u>12.7</u> |
| Total | \$ 894.6 | \$ 894.6 | \$ 919.8 | \$ 890.6 |
| Operating income: | | | | |
| Electric | \$ 448.2 | \$ 448.2 | \$ 426.5 | \$ 352.7 |
| Natural Gas | - | - | 24.2 | 27.2 |
| Other (a) | <u>8.6</u> | <u>8.6</u> | <u>(6.0)</u> | <u>25.3</u> |
| Total operating income | 456.8 | 456.8 | 444.7 | 405.2 |
| Investment income | 25.2 | 53.8 | 85.9 | 47.6 |
| Interest expense | (137.0) | (137.0) | (140.3) | (110.5) |
| Trust preferred distributions by subsidiary | (39.5) | (39.5) | (87.3) | - |
| Other income and deductions | <u>2.7</u> | <u>2.7</u> | <u>138.5</u> | <u>(10.1)</u> |
| Income before income taxes, extraordinary item, and accounting change | \$ 308.2 | \$ 336.8 | \$ 441.5 | \$ 332.2 |
| Depreciation and amortization: | | | | |
| Electric | \$ 118.8 | \$ 118.8 | \$ 124.9 | \$ 125.9 |
| Natural Gas | - | - | 7.4 | 8.1 |
| Other | <u>8.5</u> | <u>8.5</u> | <u>3.3</u> | <u>2.5</u> |
| Total | \$ 127.3 | \$ 127.3 | \$ 135.6 | \$ 136.5 |
| Expenditures – construction additions: | | | | |
| Electric | \$ 334.5 | \$ 334.5 | \$ 335.8 | \$ 101.1 |
| Natural Gas | - | - | 7.1 | 9.6 |
| Other | <u>4.4</u> | <u>4.4</u> | <u>1.0</u> | <u>0.7</u> |
| Total | \$ 338.9 | \$ 338.9 | \$ 343.9 | \$ 111.4 |
| Assets: | | | | |
| Electric segment | \$3,002.8 | \$3,002.8 | \$ 2,836.6 | \$2,657.9 |
| Natural Gas | - | - | - | 321.7 |
| Other | 7.4 | 7.4 | 74.8 | 40.7 |
| Unallocated corporate assets | <u>1,265.7</u> | <u>1,243.3</u> | <u>1,554.2</u> | <u>1,320.1</u> |
| Total Assets | \$4,275.9 | \$ 4,253.5 | \$ 4,465.6 | \$4,340.4 |

(a) Includes unallocated corporate items.

13. Reconciliation of Net Income to Net Cash Provided by Operating Activities

| \$ in millions | For the years ended December 31, | | |
|--|-------------------------------------|----------------|----------------|
| | 2001 As Restated | 2000 | 1999 |
| Net income | \$197.9 | \$243.5 | \$204.2 |
| Adjustments: | | | |
| Depreciation and amortization | 127.3 | 135.6 | 136.5 |
| Amortization of trust preferred discount | - | 50.0 | - |
| Income from investing activities | (18.0) | (68.7) | (39.1) |
| Non-cash extraordinary item, net of tax | - | 41.4 | - |
| Gain on sale of natural gas retail distribution operations | - | (182.5) | - |
| Amortization of regulatory assets, net | 46.9 | 16.3 | 25.8 |
| Operating expense provisions | (8.1) | 17.8 | (21.0) |
| Deferred income taxes | 10.6 | (79.5) | 15.4 |
| Other deferred credits | (54.4) | 29.0 | 2.3 |
| Accounts receivable | 77.0 | (45.8) | 9.6 |
| Accounts payable | (30.1) | (4.6) | 26.5 |
| Accrued taxes payable | (38.1) | 60.7 | 5.4 |
| Inventory | (15.5) | (6.1) | 19.3 |
| Other | 14.4 | (3.6) | (2.9) |
| Net cash provided by operating activities | <u>\$309.9</u> | <u>\$203.5</u> | <u>\$382.0</u> |

14. Fair Value of Financial Instruments

| \$ in millions | At December 31, | | | | | | | |
|-------------------------------|---------------------|-------|---------|-----------|------------------|---------|----------|-----------|
| | 2001 As Restated | | | | 2000 | | | |
| | Gross Unrealized | | | | Gross Unrealized | | | |
| | Fair Value | Gains | Losses | Cost | Fair Value | Gains | Losses | Cost |
| Assets | | | | | | | | |
| Available for sale securities | \$210.7 | \$9.6 | \$(5.5) | \$206.6 | \$1336.9 | \$199.4 | \$(33.2) | \$1,170.7 |
| Held-to-maturity securities: | | | | | | | | |
| Debt securities (a) | 45.7 | - | (0.2) | 45.9 | 50.2 | 0.8 | - | 49.4 |
| Private Securities | 936.2 | | | 1,010.2 | | | | |
| Other | 0.3 | | | 0.3 | 112.3 | - | - | 112.3 |
| Total | \$1,192.9 | | | \$1,263.0 | \$1,499.4 | \$200.2 | \$(33.2) | \$1,332.4 |
| Liabilities (b) | | | | | | | | |
| Debt | \$2,246.3 | | | \$2,171.0 | \$1,795.0 | | | \$1,765.5 |
| Capitalization | | | | | | | | |
| Unallocated stock in ESOP | \$ 114.3 | | | \$ 60.5 | \$ 163.1 | | | \$ 62.7 |

(a) Maturities range from 2002 to 2010.

(b) Includes current maturities.

Gross realized gains (losses) were \$35.0 and \$(11.5) in 2001 as restated, \$56.6 and \$(5.2) million in 2000, \$29.1 and \$(1.2) million in 1999, respectively.

15. Earnings per Share

Basic earnings per share are based on the weighted-average number of common shares outstanding during the year. Diluted earnings per share are based on the weighted-average number of common and common equivalent shares outstanding during the year.

The following illustrates the reconciliation of the numerators and denominators of the basic and diluted EPS computations for income before extraordinary item and cumulative effect of accounting change (1999 is not presented because no potentially dilutive securities were outstanding in that year):

| | 2001 As Restated | | | 2001 As Previously Reported | | | 2000 | | |
|--------------------------------------|------------------|---------------|--------------|-----------------------------|---------------|--------------|---------------|---------------|--------------|
| | (a) | | Per | (a) | | Per | (b) | | Per |
| | <u>Income</u> | <u>Shares</u> | <u>Share</u> | <u>Income</u> | <u>Shares</u> | <u>Share</u> | <u>Income</u> | <u>Shares</u> | <u>Share</u> |
| Basic EPS..... | \$196.9 | 119.1 | \$1.65 | \$215.5 | 119.1 | \$1.81 | \$284.9 | 127.7 | \$2.23 |
| Effect of Dilutive Securities | | | | | | | | | |
| Warrants..... | | 6.6 | | | 6.6 | | | 4.5 | |
| Stock Option Plan.... | | <u>0.9</u> | | | <u>0.9</u> | | | <u>0.7</u> | |
| Diluted EPS..... | \$196.9 | <u>126.6</u> | \$1.56 | \$215.5 | <u>126.6</u> | \$1.70 | \$284.9 | <u>132.9</u> | \$2.14 |

(a) Income before cumulative effect of accounting change

(b) Income before extraordinary item

16. Contingencies

The Company may be called upon to make additional investments in financial assets if and as the Investment Firms purchase additional companies during the funds' investment period. Over the last several years, these investments have been funded from the return of previously invested capital gains, keeping the total private invested balance substantially the same. A part or all of the public securities portion of the portfolio, approximately \$180 million, is available for funding capital calls, if and as required. The magnitude of future investment opportunities and corresponding capital calls by the funds as well as the rate of return of capital and gains cannot be predicted. However, with an average portfolio company life of just three years, the aggregate capital invested in the private equity portion of the portfolio is not expected to exceed \$1 billion, notwithstanding that the Company can be called upon to additionally invest up to approximately \$430 million during the next six years. These funds are saleable in an active secondary market although the breadth and quality of bids at any particular point in time cannot be predicted or assured. Investments by these Investment Firms are designed to be self-liquidating over time, typically five to seven years from the start.

Report of Independent Accountants

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PricewaterhouseCoopers LLP

To the Board of Directors and Shareholders of DPL Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 (a)(1) on page 53 present fairly, in all material respects, the financial position of DPL Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14 (a)(2) on page 53 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the consolidated financial statements, the Company has restated its December 31, 2001 financial statements with respect to investment accounting matters.

/s/ PricewaterhouseCoopers LLP
Dayton, Ohio

January 28, 2002, except for Note 1 to the consolidated financial statements which is as of August 13, 2002.

Selected Quarterly Information (Unaudited)

| \$ in millions except per share amounts | For the Three Months Ended | | | | | |
|---|----------------------------|--|---------|----------------------|---|---------|
| | 2001 (e) Restated | March 31, 2001 Previously reported | 2000 | 2001 (e) Restated | June 30, 2001 Previously reported | 2000 |
| Electric revenues | \$294.3 | \$294.3 | \$258.9 | \$286.7 | \$286.7 | \$262.2 |
| Gas revenues | - | - | 101.5 | - | - | 31.1 |
| Income before income taxes, extraordinary item, and accounting change | 123.0 | 104.8 | 82.8 | 31.5 | 51.8 | 23.5 |
| Income before extraordinary item and accounting change | 74.6 | 62.8 | 50.1 | 21.2 | 34.4 | 15.8 |
| Net income | 75.6 | 63.8 | 50.1 | 21.2 | 34.4 | 15.8 |
| Earnings per share of common stock: | | | | | | |
| <u>Basic</u> | | | | | | |
| Before extraordinary item and accounting change | 0.62 | 0.52 | 0.34 | 0.18(a) | 0.29 (a) | 0.13 |
| Net income | 0.63 | 0.53 | 0.34 | 0.18(a) | 0.29 (a) | 0.13 |
| <u>Diluted</u> | | | | | | |
| Before extraordinary item and accounting change | 0.58 | 0.49 | 0.34 | 0.16 | 0.27 | 0.12 |
| Net income | 0.58 | 0.49 | 0.34 | 0.16 | 0.27 | 0.12 |
| Dividends paid per share | 0.235 | 0.235 | 0.235 | 0.235 | 0.235 | 0.235 |
| Common stock market price -High | 32.38 | 32.38 | 22.31 | 30.99 | 30.99 | 24.38 |
| -Low | 25.65 | 25.65 | 16.63 | 26.95 | 26.95 | 21.94 |

(a) Results include charges for a voluntary early retirement program (see Note 6).

(b) Results include extraordinary item associated with the deregulation order (see Note 4).

(c) Results include charges for a non-union workforce reduction program (see Note 6).

(d) Results include the gain on the sale of the natural gas retail distribution operations (see Note 3).

(e) Restated results include the effect of adopting the equity and cost methods of accounting for financial assets. Restated results for the first quarter of 2001 include \$11.3 million of net unrealized gains which were recorded as accumulated other comprehensive income at December 31, 2000 (see Note 1).

| \$ in millions except per share amounts | For the Three Months Ended | | | | | |
|---|----------------------------|--------------------------------|----------|----------------------|--------------------------------|----------|
| | September 30, | | | December 31, | | |
| | 2001 (e) Restated | 2001 Previously Reported | 2000 | 2001 (e) Restated | 2001 Previously Reported | 2000 |
| Electric revenues | \$350.9 | \$350.9 | \$303.4 | \$254.3 | \$254.3 | \$283.5 |
| Gas revenues | - | - | 33.3 | - | - | 17.9 |
| Income before income taxes, extraordinary item, and accounting change | 133.3 | 136.5 | 83.3 | 20.4 | 43.7 | 251.9 |
| Income before extraordinary item and accounting change | 83.7 | 85.8 | 53.2 | 17.3 | 32.5 | 165.8 |
| Net income | 83.7 | 85.8 | 11.8 | 17.3 | 32.5 | 165.8 |
| Earnings per share of common stock: | | | | | | |
| Basic | | | | | | |
| Before extraordinary item and accounting change | 0.70 | 0.72 | 0.44 | 0.14 (c) | 0.27 (c) | 1.38 (d) |
| Net income | 0.70 | 0.72 | 0.10 (b) | 0.14 (c) | 0.27 (c) | 1.38 (d) |
| Diluted | | | | | | |
| Before extraordinary item and accounting change | 0.67 | 0.69 | 0.41 | 0.14 | 0.26 | 1.27 |
| Net income | 0.67 | 0.69 | 0.09 | 0.14 | 0.26 | 1.27 |
| Dividends paid per share | 0.235 | 0.235 | 0.235 | 0.235 | 0.235 | 0.235 |
| Common stock market price -High | 28.90 | 28.90 | 30.71 | 25.29 | 25.29 | 33.69 |
| -Low | 22.87 | 22.87 | 22.75 | 22.30 | 22.30 | 26.69 |

(a) Results include charges for a voluntary early retirement program (see Note 6).

(b) Results include extraordinary item associated with the deregulation order (see Note 4).

(c) Results include charges for a non-union workforce reduction program (see Note 6).

(d) Results include the gain on the sale of the natural gas retail distribution operations (see Note 3).

(e) Restated results include the effect of adopting the equity and cost methods of accounting for financial assets. Restated results for the first quarter of 2001 include \$11.3 million of net unrealized gains which were recorded as accumulated other comprehensive income at December 31, 2000 (see Note 1).

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10 - Directors and Executive Officers of the Registrant

Directors of the Registrant

The information required by this item of Form 10-K is set forth in DPL's definitive Proxy Statement relating to the 2002 Annual Meeting of Shareholders ("2002 Proxy Statement"), which is incorporated herein by reference, and on page 16 of this Form 10-K.

Item 11 - Executive Compensation

The information required by this item of Form 10-K is set forth in the 2002 Proxy Statement, which is incorporated herein by reference.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The information required by this item of Form 10-K is set forth in the 2002 Proxy Statement, which is incorporated herein by reference.

Item 13 - Certain Relationships and Related Transactions

None.

PART IV**Item 14 - Exhibits, Financial Statement Schedule and Reports on Form 8-K**

| | <u>Page No.</u> |
|---|-----------------|
| (a) The following documents are filed as part of this report: | |
| 1. Financial Statements: | |
| Report of Independent Accountants | 50 |
| Consolidated Statements of Results of Operations for each of the three years in the period ended December 31, 2001 | 28 |
| Consolidated Statements of Cash Flow for each of the three years in the period ended December 31, 2001 | 29 |
| Consolidated Balance Sheets at December 31, 2001 and 2000 | 30 |
| Consolidated Statement of Changes to Shareholders' Equity for each of the three years in the period ended December 31, 2001 | 31 |
| Notes to the Consolidated Financial Statement | 32 |
| 2. <u>Financial Statement Schedule</u> | |

For the three years in the period ended December 31, 2001:

| | |
|---|----|
| Schedule II – Valuation and qualifying accounts | 59 |
|---|----|

The information required to be submitted in schedules I, III, IV and V is omitted as not applicable or not required under rules of Regulation S-X.

3. Exhibits

The exhibits filed as a part of this Annual Report on Form 10-K are:

| | | Incorporated Herein by Reference as Filed With |
|------|--|--|
| 2(a) | Copy of the Agreement of Merger among DPL Inc., Holding Sub Inc. and DP&L dated January 6, 1986..... | Exhibit A to the 1986 Proxy Statement (File No. 1-2385) |
| 2(b) | Copy of Asset Purchase Agreement, dated December 14, 1999, between The Dayton Power and Light Company, Indiana Energy, Inc., and Number-3CHK, Inc. | Exhibit 2 to Report on Form 10-Q for the quarter ended September 30, 2000 (File No. 1-9052) |
| 3 | Copy of Amended Articles of Incorporation of DPL Inc. dated September 25, 2001 | Filed herewith as Exhibit 3 on page 60 |
| 4(a) | Copy of Composite Indenture dated as of October 1, 1935, between DP&L and The Bank of New York, Trustee with all amendments through the Twenty-Ninth Supplemental Indenture..... | Exhibit 4(a) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(b) | Copy of the Thirtieth Supplemental Indenture dated as of March 1, 1982, between DP&L and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-53906 |
| 4(c) | Copy of the Thirty-First Supplemental Indenture dated as of November 1, 1982, between DP&L and The Bank of New York, Trustee | Exhibit 4(h) to Registration Statement No. 33-56162 |
| 4(d) | Copy of the Thirty-Second Supplemental Indenture dated as of November 1, 1982, between DP&L and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-56162 |
| 4(e) | Copy of the Thirty-Third Supplemental Indenture dated as of December 1, 1985, between DP&L and The Bank of New York, Trustee | Exhibit 4(e) to Report on Form 10-K for the year ended December 31, 1985 (File No. 1-2385) |
| 4(f) | Copy of the Thirty-Fourth Supplemental Indenture dated as of April 1, 1986, between DP&L and The Bank of New York, Trustee | Exhibit 4 to Report on Form 10-Q for the quarter ended June 30, 1986 (File No. 1-2385) |

| | | |
|------|--|--|
| 4(g) | Copy of the Thirty-Fifth Supplemental Indenture dated as of December 1, 1986, between DP&L and The Bank of New York, Trustee | Exhibit 4(h) to Report on Form 10-K for the year ended December 31, 1986 (File No. 1-9052) |
| 4(h) | Copy of the Thirty-Sixth Supplemental Indenture dated as of August 15, 1992, between DP&L and The Bank of New York, Trustee | Exhibit 4(i) to Registration Statement No. 33-53906 |
| 4(i) | Copy of the Thirty-Seventh Supplemental Indenture dated as of November 15, 1992, between DP&L and The Bank of New York, Trustee..... | Exhibit 4(j) to Registration Statement No. 33-56162 |
| 4(j) | Copy of the Thirty-Eighth Supplemental Indenture dated as of November 15, 1992, between DP&L and The Bank of New York, Trustee..... | Exhibit 4(k) to Registration Statement No. 33-56162 |
| 4(k) | Copy of the Thirty-Ninth Supplemental Indenture dated as of January 15, 1993, between DP&L and The Bank of New York, Trustee | Exhibit 4(k) to Registration Statement No. 33-57928 |
| 4(l) | Copy of the Fortieth Supplemental Indenture dated as of February 15, 1993, between DP&L and The Bank of New York, Trustee | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1992 (File No. 1-2385) |
| 4(m) | Copy of Forty-First Supplemental Indenture dated as of February 1, 1999, between DP&L and The Bank of New York, Trustee | Exhibit 4(m) to Report on Form 10-K for the year ended December 31, 1998 (File No. 1-2385) |
| 4(n) | Copy of the Credit Agreement dated as of December 21, 2001 between DPL Inc., Keybank National Association (as agent), Bank One, NA (as agent), and the banks named therein..... | Filed herewith as Exhibit 4(n) on page 71 |
| 4(o) | Copy of the Note Purchase Agreement dated as of April 6, 1999 for \$500 million of 6.32% Senior Notes due 2004 | Exhibit 4 to Report on Form 10-Q dated June 30, 1999 (File No. 1-9052) |
| 4(p) | Copy of Rights Agreement between DPL Inc. and Equiserve Trust Company, N.A | Exhibit 4 to Report on Form 8-K dated September 25, 2001 (File No. 1-9052) |
| 4(q) | Copy of Securities Purchase Agreement dated as of February 1, 2000 by and among DPL Inc. and DPL Capital Trust I, Dayton Ventures LLC and Dayton Ventures Inc. and certain exhibits thereto..... | Exhibit 99(b) to Schedule TO dated February 4, 2000 (File No. 1-9052) |

| | | |
|-------|--|---|
| 10(a) | Copy of Directors' Deferred Stock Compensation Plan amended December 31, 2000..... | Exhibit 10(a) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 10(b) | Copy of Directors' Deferred Compensation Plan amended December 31, 2000 | Exhibit 10(b) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 10(c) | Copy of Management Stock Incentive Plan amended December 31, 2000 | Exhibit 10(c) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 10(d) | Copy of Key Employees Deferred Compensation Plan amended December 31, 2000..... | Exhibit 10(d) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 10(e) | Form of Change of Control Agreement with Certain Executive Officers..... | Exhibit 10(e) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 10(f) | Copy of Stock Option Plan..... | Exhibit 10(f) to Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9052) |
| 18 | Copy of preferability letter relating to change in accounting for unbilled revenues from Price Waterhouse LLP..... | Exhibit 18 to Report on Form 10-K for the year ended December 31, 1987 (File No. 1-9052) |
| 21 | List of Subsidiaries of DPL Inc..... | Filed herewith as Exhibit 21 on page 152 |
| 23 | Consent of PricewaterhouseCoopers LLP..... | Filed herewith as Exhibit 23 on page 152 |

Pursuant to paragraph (b) (4) (iii) (A) of Item 601 of Regulation S-K, DPL Inc. has not filed as an exhibit to this Form 10-K certain instruments with respect to long-term debt if the total amount of securities authorized thereunder does not exceed 10% of the total assets of DPL Inc. and its subsidiaries on a consolidated basis, but hereby agrees to furnish to the SEC on request any such instruments.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DPL Inc.

Registrant

August 14, 2002

/s/ Elizabeth M. McCarthy

Elizabeth M. McCarthy
Group Vice President and Chief Financial Officer
(principal financial officer)

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Schedule II

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DPL Inc.
VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2001, 2000, and 1999

(\$ in thousands)

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | |
|--------------------------------------|--------------------------------|-------------------|----------|----------------|--------------------------|
| Description | Balance at Beginning of Period | Additions | | Deductions (1) | Balance at End of Period |
| | | Charged to Income | Other | | |
| 2001: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 6,851 | \$11,774 | \$ - | \$ 6,161 | \$12,464 |
| 2000: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,355 | \$ 9,115 | \$ - | \$ 6,619 | \$ 6,851 |
| 1999: | | | | | |
| Deducted from accounts receivable-- | | | | | |
| Provision for uncollectible accounts | \$ 4,744 | \$ 5,171 | \$ - | \$ 5,560 | \$ 4,355 |

(1) Amounts written off, net of recoveries of accounts previously written off.